

Children Before Profits in the States

Empowering Communities to Constrain Private
Equity Profiteering in Local Child Care Markets

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ABOUT THIS REPORT

Children Before Profits in the States was published by the Open Markets Institute in February 2026 as a follow-up to *Children Before Profits: Constraining Private Equity Profiteering to Advance Child Care as a Public Good*, a report by Audrey Stienon and Melissa Boteach that was released in June 2024.

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Suggested Citation: Stienon, Audrey. 2026. *Children Before Profits in the States: Empowering Communities to Constrain Private Equity Profiteering in Local Child Care Markets*. Open Markets Institute.

ACKNOWLEDGEMENTS

The author would like to thank the Care for All with Respect and Equity (CARE) Fund for their backing of this research and report.

We appreciate Amy Royce and Sonia Marton at the National Women’s Law Center for contributing research for this paper, and thank them along with Nina Dastur and Ross Fitzgerald at Community Change, and Aditi Sen and Hibba Meraay at Americans for Financial Reform Education Fund for their partnership in the “Children Before Profits State Playbook” project.

At Open Markets Institute, we thank Daniel Hanley for his contributions, as well as Barry Lynn, Courtney Radsch, Anita Jain, Austin Ahlman, and Ashley Woolheater for their support in producing this report, and Jonty Young for its design and layout.

We send our respect to the many people from across the child care, finance, and economic policy fields who contributed their time and expertise to assist the research and analysis included in the 2024 *Children Before Profits* report. Their contributions remain at the foundation of the market analysis and policy recommendations included in this paper.

Finally, we extend our deepest gratitude to the child care providers and early educators who do the essential work of caring for and educating young children, as well as the parents and families, program directors, child care providers, and advocates working every day for policies to build an equitable child care system. This report is for you.

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EXECUTIVE SUMMARY

Child care is an essential building block of families' financial security, children's education and development, communities' wellbeing, and the country's economic foundations. Yet, despite its important public benefits, child care is too often perceived and funded as though it were a private luxury—a service that people can choose to pay for if they can afford it, but that is not guaranteed to all as a basic need.

It is time to reimagine child care in the United States so that it is recognized and supported as a public good. Under such a vision, the U.S. child care industry and policy system should be designed to prioritize five goals: (1) universal access to care; (2) universally affordable care; (3) thriving caregivers; (4) high-quality care; and (5) diverse choice of providers for families.

These goals do not preclude individuals or businesses from earning a profit from providing child care. However, these profits should be understood as a means to an end—that of achieving this vision of child care as a public good—as opposed to a policy priority unto themselves.

Achieving this vision will require federal, state and local governments to devote more funding and institutional support to child care providers. In 2024, a family would have needed an annual income of at least \$187,000 (among the top 20 percent of household incomes) in order to consider the \$13,128 average national price of child care affordable (7 percent of their income) without subsidies (CCAoA 2025). Given the pervasive scale of this challenge, government is the only source of funding large enough to close the gap between the true cost of providing high-quality child care to all communities and families' ability to pay for this service. Although federal leadership and investment is essential to truly solve the child care crisis, the federal government has yet to provide a sustained increase in child care funding. Absent increased federal investments, state and local governments are taking the lead to increase public funding to child care providers.

However, the increased public funding needed to achieve the vision of child care as a public good will also attract actors, most notably private equity funds, who are more interested in extracting wealth from taxpayer dollars than in building an industry that provides quality services, creates well-paying jobs, and supports the wellbeing of families and communities across the country. In addition to the well-documented

experiences of the systemic harms experienced in other care industries that experienced significant private equity investment, evidence is growing that, left unchecked, profit-maximizing child care providers are already threatening all five goals of the vision for child care (Appelbaum and Batt 2020; Appelbaum et al. 2023; Ballou 2023; Batt et al. 2023; Gupta et al. 2021; Stienon and Boteach 2024).

Box A: What is Private Equity?

Private equity firms oversee funds that receive money from institutions like pension funds and from wealthy individuals, and whose purpose is to invest that money in ways that will maximize their returns.

They do this by using debt to acquire companies, restructuring these companies' operations to maximize the profits they generate for their owners (such as by selling off assets, raising prices, or cutting operating expenses), and selling them to the highest bidder within three to five years. This is done with little regard for the long-term health of the companies in their portfolio, let alone their workers, customers, creditors, or suppliers. For a deeper analysis of the risks that classic private equity tactics pose to the child care industry, see Stienon and Boteach (2024).

It is therefore imperative that state and local policymakers work alongside the other stakeholders of the child care industry to build robust protections to ensure that the public resources that are devoted to this industry go towards advancing the public interest rather than lining investors' pockets.

A STATE AND LOCAL STRATEGY FOR PUTTING CHILDREN BEFORE PROFITS

It is the responsibility of policymakers to ensure that child care market incentives align with the broader goal of achieving child care as a public good. Private equity investors face more structural incentives to prioritize short-term profits than any other form of corporate ownership or investment. This makes them the quickest and most likely to identify and exploit opportunities to extract wealth from any market. By designing policies and market incentives that guard against the worst of private equity behavior, state and local policymakers will also be building strong guards against all types of profit-maximizing actors, and will protect the vision for child care that centers on children and families. State and local policymakers can do this by (1) strengthening guardrails, (2) protecting fair and competitive markets; (3) increasing equitable supply, and (4) building countervailing power.

I. STRENGTHENING GUARDRAILS: SETTING STANDARD RULES OF THE GAME

High standards backed by a well-funded system to enforce adherence to these standards are essential guardrails for socially important industries like child care—especially if a significant share of their revenues comes from public funding. Successful regulatory systems that define the rules of the game set a floor under corporate programs' operations, restricting their ability to cut costs at the expense of other stakeholders. To build adequate guardrails, state and local policymakers and advocates should strengthen their:

- **Quality and Labor Standards.** Corporate providers extract profits by cutting operating costs, especially around labor, in ways that risk harms to workers, children, and families. State policymakers can set standards that either apply to all providers, or else as a condition for those receiving public funding. These standards should include:
 - **Standards on staffing levels**, such as child-to-staff ratios, worker qualification standards, fair scheduling laws, or career paths or lattices;
 - **Standards on wages and benefits** that raise the wage and benefits for workers across the industry based on levels of experience, qualifications, expertise, and workplace responsibilities;
 - **Standards for part-time, just-in-time, and gig-workers**, such as part-time parity laws, “access to hours” policies, or laws against worker misclassification of gig workers;
- **Funding Strategy.** State and local governments shape the incentives, market structure, and outcomes of the child care industry by setting the conditions under which public funding is distributed to local providers. State policymakers can ensure that public funding is used in ways that advance the vision of child care as a public good by introducing:
 - **Funding conditions** that clearly define expectations about what services providers must supply in exchange for receiving public money, and set limitations on uses of public funding that do not advance the public interest like dividend recapitalizations;
 - **Disclosure requirements** that increase transparency to ensure public money is used in ways that advance the vision of child care as a public good and not corporate profits;
 - **Prioritization of non-corporate providers** ensuring that programs most likely to advance the public interest receive a greater share of public funding;
 - **Restrictions on funding to corporate providers** through, for example, caps on the share of public money that goes to any one company.
- **Support Given to Providers to Meet Standards.** State and local policymakers must ensure that non-corporate providers have the financial and technical resources that they need to meet higher standards. Helping non-corporate providers comply with standards is a more effective way of supporting them than keeping standards low in the hope that this will reduce their operating costs, since the latter also helps corporate providers boost their profits and market power;
- **Enforcement.** Governments must design and fund enforcement systems that are capable of identifying and penalizing corporate providers who fail to abide by government regulations. This can be done by expanding inspection capabilities, increasing transparency, and imposing financial penalties on providers who violate quality regulations.

II. PROTECTING FAIR AND COMPETITIVE MARKETS: PREVENTING ABUSES OF MARKET POWER

Policymakers must proactively level the playing field in child care markets to prevent corporate providers from using their relative market power to unfairly shape the industry to their advantage. It is the unique responsibility of state governments to protect local markets from behaviors that harm local markets, but whose impacts may be too small or localized to attract a federal intervention. This is especially important for child care, an inherently local service that all communities need. Therefore, policymakers must prevent corporate providers from using unfair, harmful, or illegal tactics to push their competitors out of the market. This can be done using:

- **Market Monitoring Capabilities.** State and local policymakers must proactively protect the health of child care markets so that they remain open and fair to diverse types of providers. This can be done by:
 - **Increasing transparency** through greater disclosures from providers about their ownership, conflict of interest, and practices like dividend payments, executive compensation, staffing levels, or debt-asset ratios;
 - **Increasing market oversight** by investing in the institutional capacity that state regulators need to ensure that markets remain fair and open, and by setting guidelines about acceptable levels of child care market concentration or control by corporate ownership;
- **Restrictions on Corporate Consolidation.** Child care is a fragmented industry whose longstanding structural programs are driving small providers to exit; these characteristics makes it an appealing target for private equity funds who want to create profits through consolidation—an outcome that threatens the goal of providing families with a choice of diverse providers. State policymakers can restrict corporate expansion in child care markets by:
 - **Blocking acquisitions** that threaten the competitiveness of local markets using state antitrust law enforcement;
 - **Capping the share of licenses or public funding** that goes to any one child care provider;

- **Enforcement of Fair Market Rules.** Corporate providers can use their market power—gained through their size or access to debt and other financial resources—to gain an unfair advantage over local competitors. Policymakers can address this by:
 - **Enforcing competition laws** against companies that monopolize local markets or use tactics like unfair price discrimination or exclusive deals;
 - **Limiting the sale** of local providers to private equity-owned companies by restricting the permissible frequency at which programs can change ownership, and by providing financial and technical support to alternative buyers.

III. INCREASING EQUITABLE SUPPLY: CREATING ALTERNATIVES TO PRIVATE EQUITY

Among the greatest challenges to achieving the vision for child care as a public good is that of increasing child care supply in a way that creates opportunities for diverse types of providers to thrive in this industry. Corporate providers' high growth rates and profits are not indications that these companies are the solution to the child care supply problem—rather, their tactics risk undermining public progress towards the vision of universal and affordable care. Corporate providers nevertheless have structural advantages over smaller providers due to their size and access to financial resources that help them corner the profitable pockets of existing markets. State and local policymakers must find ways to support non-corporate providers so that they can compete with corporate providers and offer diverse care options to local families. Policymakers can supply:

- **Access to Capital.** Corporate child care providers benefit from their ability to access large amounts of financial capital, especially from debt. Yet their business model does not incentivize them to make long-term investments in the programs that they acquire. State and local policymakers must work to provide non-corporate programs with the revenues and capital that they need so that they are not dependent on private equity for funding. This can be done by:
 - **Increasing public funding** by supplementing federal funding with state money in order to ensure that providers' revenues cover the true cost of supplying high-quality care;

- **Increasing access to alternative financing** such as Community Development Financial Institutions (CDFIs) or Small Business Investment Companies;
- **Reforming incentives for employer-sponsored care** so that employers integrate these benefits programs into the wider child care system;
- **Supporting worker buyouts** as an alternative to private equity acquisitions of local programs by giving workers a right of first refusal during a sale, and by providing financial and technical assistance to workers;
- **Economies of Scale.** Corporate chains benefit from centralizing business operations such as accounting or scheduling. State and local policymakers can help non-corporate programs replicate these operational benefits of scale by:
 - **Supporting shared-services alliances** by providing seed funding for programs to join these alliances;
 - **Providing public technical assistance** by, for example, partnering with Small Business Development Centers or CDFIs;
- **Additional Public Resources.** As part of their broader efforts to equitably increase child care supply and guarantee this service as a public good, state and local governments have many avenues for more actively participating in child care markets, including:
 - **Public child care options** that operate within a robust mixed-delivery system to increase local child care supply while checking corporate providers' market power;
 - **Public real estate** that governments can lease to non-corporate programs at subsidized rates;
 - **Public registries** that increase the information available to all child care stakeholders about opportunities in local markets, including about potential buy-out opportunities or about the ownership, size, and openings of local programs.

IV. BUILDING COUNTERVAILING POWER: ENSURING CORPORATE ACCOUNTABILITY TO THE PUBLIC GOOD

The interests of the diverse stakeholders in the child care industry—including workers, families, non-corporate providers, and even long-term investors—will only be properly served if the child care industry achieves the five goals that make up the vision of child care as a public good. If properly empowered and mobilized, these stakeholders can help push back against corporate efforts to put short-term profits over other priorities, including child wellbeing and the growth and long-term financial stability of the sector. Building this countervailing power among child care stakeholders requires creating more opportunities for them to collaborate around advancing their shared priorities, and to have the means of participating in, and influencing, the creation and enforcement of child care policies and programs. Much of the work of building this countervailing power will fall on the stakeholders themselves, but state and local policymakers should also commit to including, engaging with, and strengthening these organizing efforts. Sources of this countervailing power can include:

- **Stakeholder Advocacy Organizations.** Families, workers, non-corporate enterprise owners, and other community members are the first to observe or feel the harms from the profit-maximizing tactics of corporate providers, and advocacy organizations can help connect these stakeholders with policymakers and regulators.
- **Small Business Organizing.** Corporate providers can leverage their financial resources and market power to influence policymaking processes and structure markets to prioritize their profits. Small businesses and other non-corporate providers should cooperate with each other, such as by forming cooperatives or industry associations, to act as a counterweight to corporate providers in state and local policy and regulatory discussions.

- **Worker Organizing.** Unionization and collective bargaining remain important mechanisms for empowering workers to improve their working conditions, and thereby improve the quality of care provided to families. State and local policymakers can, in their funding contracts with providers, strengthen child care workers' ability to defend their own right to good jobs and fair wages and to speak out against corporate practices that undermine the child care vision. Policymakers can also ensure that workplace protections extend to all child care workers, including home-based providers.
- **Industry Committees.** Policymakers can ensure that diverse stakeholders remain actively involved in the creation and enforcement of child care policies and standards by creating child care industry committees that allow workers and other stakeholders to advocate for and design child care standards and policies.
- **Asset Manager and Investor Action.** Although investors, like public pension funds, benefit from corporate profits, they also have their own motivations to minimize risk and broader societal harm. These asset managers could consider reducing their investments in private equity funds, increasing their oversight over the investments and management practices of the funds or companies that they have invested in, and providing clear guidelines about the standards to which they are holding private funds.

The child care system has been pushed to the breaking point, but a renewed commitment from policymakers and stakeholders from across U.S. society could enable the country to build a child care system that is the envy of the world. The U.S. has the unique opportunity to get out ahead of the private equity investors who are now entrenched in private child care markets across countries, and to craft a set of market rules and incentives that contribute to, rather than detract from, the vision of child care as a public good that is available to all families. Achieving this vision will require contributions from all stakeholders, including providers and investors, and a commitment from all actors to put the wellbeing of children ahead of their individual profits.

INTRODUCTION AND BACKGROUND

Child care is an essential building block of families' financial security, children's education and development, communities' wellbeing, and the country's economic foundations.

Despite its societal importance, child care is too often perceived and funded as though it were a private luxury—a service that people can choose to pay for if they can afford it, but that is not guaranteed to all as a basic need. Families in many regions spend more on child care than they do on any other major expense, including housing or college (Child Care Aware of America (CCAoA) 2022). Over half of people in the U.S. live in communities with either no or insufficient available licensed care—with the problem particularly acute in low-income and rural communities (Treasury 2021). In 2024, child care shortages impacted an average 1.34 million disproportionately women workers every month, leading them to miss work, reduce their productivity, or exit the labor force entirely (KPMG 2025).

Just as the importance of child care to families and employers is often overlooked, so is that of the people who are employed as child care providers and early educators—people who deserve respect and fair compensation for their essential work. Over a million people in the U.S. work as child care providers, the overwhelming majority of whom are women, and disproportionately women of color and immigrants. This does not count the time and effort that parents, relatives, and community members dedicate for free towards nurturing each new generation.

The underlying challenge facing the child care industry is the mismatch between providers' operating costs and families' ability to pay for that care (Stienon and Boteach 2024). Child care is, by definition, a labor-intensive service, making it nearly impossible for providers to lower their operating expenses without pushing down workers' wages and job quality—both of which threaten workers' and children's wellbeing. Child care workers' incomes are already among the lowest out of any sector of the economy, and providers risk high turnover rates as workers look for higher paying jobs elsewhere (McLean et al. 2021). Meanwhile, in 2024, a family would have needed an annual income of at least \$187,000 (among the top 20 percent of household incomes) in order to consider the \$13,128 average national price of child care affordable (7 percent of their income) without subsidies (CCAoA 2025). Public subsidies for child care exist, but unless state or local

governments intervene to supplement federal funding, this money is insufficient to provide funding for all the families that are eligible, let alone those that need support.

The providers that exist in the child care industry are therefore those who manage to remain within the narrow band between these two limits. In order to serve the families of their community, providers often set their tuition fees lower than what they need to cover their true operating expenses, and must perpetually keep wages and other expenses as low as possible in order to stay open. Most providers experience profit margins of only 1 percent of every dollar they earn in revenue (Treasury 2021). This places them in an extremely precarious position, since any sudden loss of income—such as a child getting sick for an extended period, or a parent removing their child from care because they themselves lost their job—can push their business into the red. The pandemic exacerbated these trends and, as the emergency public funding programs aimed at stabilizing the sector expired, the industry has been under ever more strain (Sun 2024; NWLC 2025; Valle Gutierrez and Kashen 2025).

VISION FOR CHILD CARE AS A PUBLIC GOOD

It is time to reimagine child care in the United States so that it is recognized and supported as a public good, enabling every family to find and afford high-quality care that is supplied by a workforce that is paid fair, living wages.

Under such a vision, the U.S. child care industry and policy system should be designed to prioritize five goals. These goals are highly interdependent, and it is only in working towards all of them simultaneously that families—and the economy overall—will reap the full range of benefits that can stem from child care services. These goals are:

1. Universal Access to Care

Every child—regardless of race, ethnicity, gender, disability, geography, family structure, immigration status, religion, income, or other differences—has a right to child care that meets their family's needs. Just like with K-12 public education, eligibility should be universal, and the priority

should be to more immediately reach and provide resources to children and families who have historically faced the most barriers to accessing care.

2. Affordable Care

Child care should be affordable to all families. Ideally, child care should be free, just like K-12 public school. At a minimum, however, policy should ensure that families with low incomes pay nothing, while co-pays are capped for all families at no more than 7 percent of income for all their children—which is what the U.S. Department of Health and Human Services (HHS) historically has considered affordable.

3. Thriving Caregivers

Child care jobs should be good jobs, and every person employed in this industry—whether in licensed or informal care settings—should be fairly compensated for and supported in the essential work they do. That means caregivers should be able to earn a livable income—with access to benefits such as healthcare, paid leave, and retirement benefits—either as the owners or paid employees of child care-providing enterprises. Ideally, this income should reach parity with that of people employed in providing kindergarten education given the comparable skills, training, and competency required to provide care and education to young children. Providers should also be able to expect predictable and flexible scheduling practices, a guaranteed right to collective bargaining, and professional support through ongoing training and career ladders.

Furthermore, since child care providers largely live in the communities that they serve, child care jobs and businesses should be structured and supported as mechanisms for sustaining community wealth and wellbeing. All efforts to improve the quality of child care providers must create pathways for the full range of providers to remain included in the industry as it changes.

4. High-Quality Care

High-quality care accounts for families' and educators' diverse needs and preferences, while ensuring children are able to form a nurturing and stable relationship with their caregivers in safe and healthy settings. Care quality is notoriously difficult to quantify in any sector, and is particularly challenging in child care given that the infants and

toddlers receiving care are rarely able to communicate when there is a problem. Nevertheless, regardless of the setting, quality child care must:

- **Support deep, trusting, and stable relationships between caregivers and children;** proxy metrics for these relationships are tied to minimizing caregiver turnover and burnout;
- **Implement best practices for socialization and early learning,** whether through a formal curriculum or community of practice;
- **Guarantee safe and healthy environments,** as reflected in age-appropriate staff-to-child ratios, and facilities in homes, centers, or schools that meet relevant health and safety standards;
- **Provide access to health screenings, supports, and wrap-around services for children and families.**

Whether families select care in a center, home, school, or another setting, the quality of care will be directly related to the level of compensation and comprehensive supports for caregivers and educators.

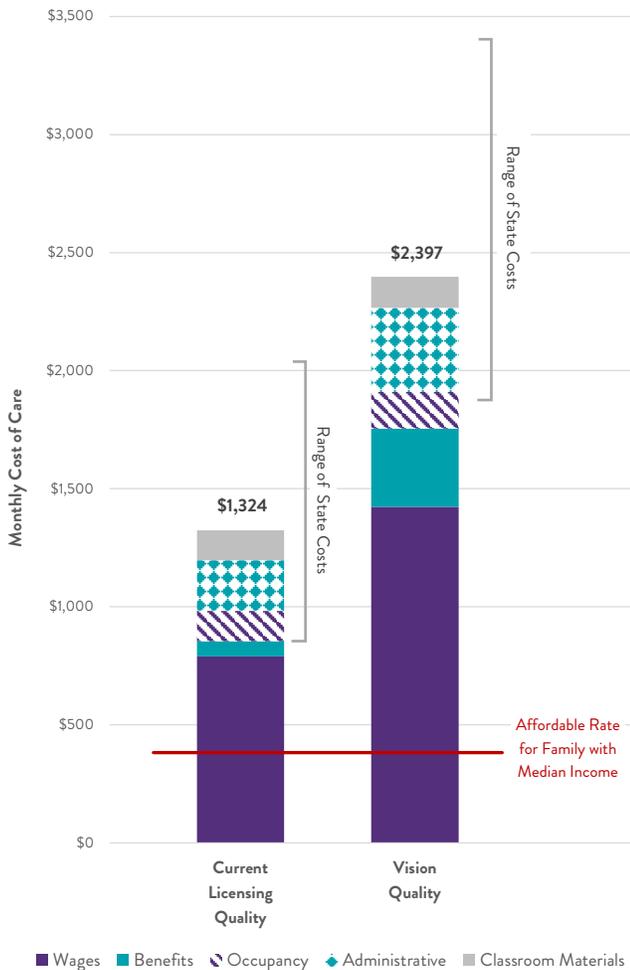
5. Diverse Choice of Providers

Every family should be able to find care that meets their needs and preferences. Families should be able to mix and match different forms of care based on their needs, and should especially be able to find convenient care options that match their work schedules and cultural and linguistic preferences. This could include care provided in a center, a school, a home-based setting, or family, friend, and neighbor care (FFN). While government entities can provide care through public pre-K, Head Start, or Early Head Start programs, families should also have the choice of turning to local community organizations, faith-based institutions, and businesses, as well as to trusted individuals in their family or community care networks.

These goals do not preclude individuals or businesses from earning a profit from providing child care, but these profits should be understood as a means to an end—that of achieving the vision of child care as a public good—as opposed to a policy priority unto themselves. Markets and profit incentives can be powerful tools to attract more investment, entrepreneurs, and workers into the child care

industry, which could help move the U.S. child care system towards this broader vision. However, since private providers cannot profitably serve the majority of U.S. families without substantial public funding, policymakers will have to determine what scale of profits they, and taxpayers, should tolerate in

Figure 1: Average National Monthly Cost of Center-Based Infant Care (2019)



Note: “Current Licensing Quality” scenarios assume the costs needed for centers to meet existing licensing requirements. “Vision Licensing Quality” scenarios assume fewer children per teacher, bigger classrooms, increased resources for classroom materials, and child care workers who are paid the same as kindergarten teachers, receive retirement benefits and higher contributions to health insurance, and have more time to plan lessons. More details about the methodology behind this data are described by Workman (2020), who referred to these two standards as “base-quality” and “high-quality.”

Source: Workman (2021), American Community Survey (ACS) (2019)

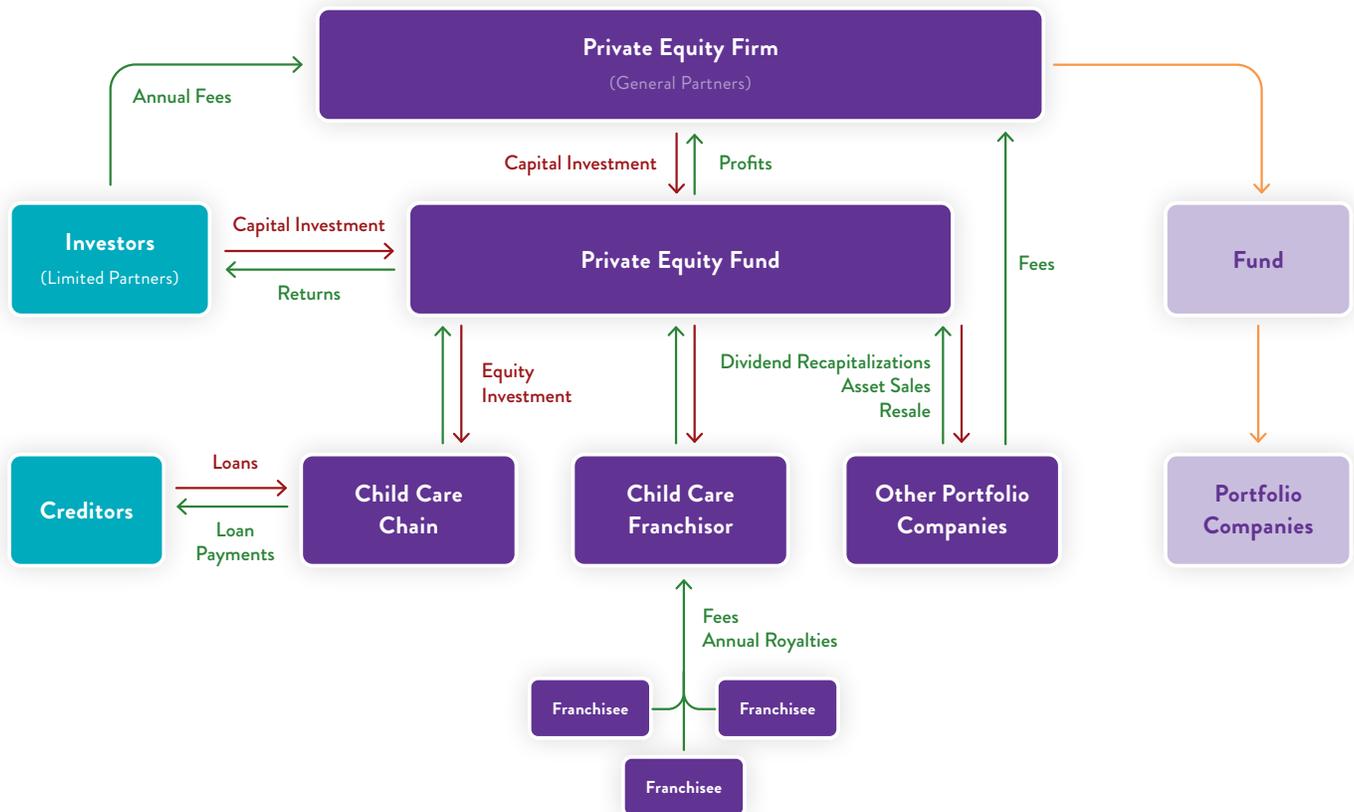
the child care industry, and what outcomes the public should receive from private providers in exchange for this money. Profits should thus be understood as the price that the public pays private providers in exchange for their support of the vision of child care as a public good—with no private provider entitled to this boon if they undermine or detract from these goals.

Achieving this vision will require state and local governments to devote more funding and institutional support to child care providers. The public sector is the only source of funding large enough to close the gap between the true cost of providing quality child care to all communities and families’ ability to pay for this service—especially since ensuring high quality of care will require that providers increase their operating costs in order to invest in their workers and facilities (see Figure 1). With discussions over increasing funding to federal programs stalled—and, indeed, with the reliability of this funding coming under growing strain—the responsibility to provide adequate support to child care providers is increasingly falling to the states.

However, the additional public funding needed to achieve the vision of child care as a public good will also attract actors, like private equity, who are more interested in extracting wealth from taxpayer dollars than in building an industry that provides quality services, creates well-paying jobs, and supports the wellbeing of families and communities across the country. It is therefore imperative that state and local policymakers work alongside the other stakeholders of the child care industry to build robust protections to ensure that the public resources that are devoted to this industry go towards advancing the public interest rather than lining investors’ pockets.

Figure 2: Private Equity Ownership Structure

Adapted from Appelbaum and Batt (2020)



PRIVATE EQUITY AND CORPORATE CHILD CARE

Private equity firms—like Kohlberg Kravis Roberts (KKR), Carlyle Group, Blackstone, or Bain Capital—oversee funds that receive money from institutions like pension funds and from wealthy individuals, and whose purpose is to invest that money in ways that will maximize their returns. They do this by using debt to acquire companies, restructuring these companies’ operations to maximize the profits they generate for their owners (such as by selling off assets, raising prices, or cutting operating expenses), and selling them to the highest bidder within three to five years. This is done with little regard for the long-term health of the companies in their portfolio, let alone these companies’ workers, customers, creditors, or suppliers.

This paper uses private equity as an archetype for profit-maximizing behavior since these investors structurally face

more incentives to prioritize short-term profits than any other form of corporate ownership or investment. This implies that policies and market incentives that have been designed to guard against private equity behavior are more likely to also guard against the worst behavior of other profit-maximizing actors—and thus protect the vision for U.S. child care that centers on children and families.

Private equity’s history and practices in industries supported by public dollars should be a warning for the child care sector. The well-documented experiences from the other industries that have seen significant private equity investment—such as aging and disability care, hospice care, and physicians’ practices—shows that private equity-owned businesses are more likely to push down the quality of the services they provide, the wellbeing of their customers and workers, and the competitive health of local markets (Appelbaum and Batt 2020; Appelbaum et al. 2023; Ballou 2023; Batt et al. 2023; Gupta et al. 2021). This serves as a warning that, if they

Box 1: Language Choice

This report focuses on the market structures and incentives governing the behavior of private, for-profit child care providers. This includes the spectrum of enterprises ranging from an individual caregiver licensed to provide child care out of her own home to multinational chains employing tens of thousands of workers in centers around the world. By definition, all of these enterprises share a common desire to maximize “profits”—the value of what they earn in revenue in excess of what they pay in expenses to provide child care services. Discussions of private not-for-profit providers are outside the scope of this report.

That said, in this report, we try to distinguish between businesses where “profits” are the primary income of its owner-operator and businesses where “profits” are shared as financial returns to investors. We will therefore discuss profits-as-income in the context of caregiver “income” and “wellbeing,” drawing a parallel between these owners and the staff they work alongside. In this context, making a business “profitable” entails raising revenues enough

to cover the cost of care, including guaranteeing a fair income to the staff and business owners. However, when we discuss “profits,” we will be exclusively referring to profits-as-financial-returns. We assume that higher investors’ profits can be a bonus benefit of child care markets if all other goals are achieved, but should not be a systemic priority.

Our focus in this report is on the business tactics that attempt to prioritize investor profits ahead of other systemic priorities—businesses that can be described as “profit-maximizing.” We also use this term interchangeably with “corporate.” Although we recognize that many small and medium enterprises are also technically registered as corporations, we chose to use this term based on its more vernacular meaning for ease of comprehension. These terms are intended to encompass what other authors have referred to as “investor-backed” or “financialized” business, or those that adhere to “shareholder primacy” in their governance.

increase their presence in child care markets, private equity funds and other corporate actors will exploit every opportunity to maximize their profits, even if their own wealth comes at the expense of the other stakeholders and objectives of the industry. Investor profits taken out of the child care industry before workers are properly paid, before supply catches up to demand, or before care is universally affordable—those profits stand in direct opposition to the needs of U.S. families and communities.

Private equity funds are a large and growing presence in U.S. child care markets. Of the 10 largest child care companies in the U.S., eight are currently owned by private equity investors; meanwhile, the only publicly-listed company, Bright Horizons, was private equity-owned until 2013 (Lynch and Su 2024). These 10 companies serve between 10 to 12 percent of children receiving licensed care in the U.S., and the top three companies—KinderCare, Learning Care Group, and Bright Horizons—control an estimated 5 percent of the national market (KinderCare Learning Companies 2021). Despite the systemic problems facing child care markets, these companies have targeted their services at families who can afford to pay

tuition fees that cover the full cost of care, be it on their own or in conjunction with public subsidies or employer benefit programs (Haspel and Russo 2023). As a result, they have become extremely profitable—with Bright Horizons, for example, reporting 23 percent gross margins in 2022.

Evidence is growing that, left unchecked, corporate child care is already threatening all five of the child care vision goals (see Table A). Financially vulnerable child care providers have reported receiving buyout offers from private equity investors (Haspel 2025). Glitzy new programs are opening, drawing families away from local providers, only to charge them “additional fees” for basic services like field trips (Willis 2024). Parent chat groups are filled with complaints about increasing care worker turnover, while care workers are reporting workplace conditions that are driving them away from the sector (Parent Voices 2025). Sudden bankruptcies of rapidly growing chains have left families, workers, and communities unexpectedly without care or jobs (Greene 2025).

Box 2: Common Private Equity Tactics

- **Debt and Leveraged Buyouts.** The defining characteristic of private equity is their use of debt to acquire their portfolio companies. The most immediate consequence of private equity's use of debt is that portfolio companies—in this case child care providers—face a new operating expense in the form of loan and interest payments. These payments divert their spending away from other operational expenses, like staffing, and increase portfolio companies' risk of default and bankruptcy.
- **Roll-ups and Mergers.** In the past decade, private equity funds have been acquiring several companies in the same sector, rolling them up into larger companies or chains. These larger companies can then push out their smaller competitors, or create market dynamics that force others to also consolidate to survive.
- **Control Over Management and Operations.** Private equity funds, as the new owners of a company, can install new executives and managers who are ready to reorient the companies' operations to meet the funds' priorities. In many cases, new managers are empowered to do whatever it takes to maximize profits, even at the expense of the long-term health of the company and that of its employees, customers, and suppliers.
- **Property Sale and Leaseback.** Private equity funds can access the value of companies' real estate assets by forcing them to sell their properties and rent them back from their new owners. The portfolio company is now responsible for a new expense, this time paying for something that it used to own outright, creating pressure to take even more drastic measures to cut costs and raise revenues to make up this shortfall.
- **Vertical Portfolio Integration.** Private equity firms can require their portfolio companies to buy from each other rather than from external competitors. This allows the private equity firm to profit from its portfolio companies' expenses. This creates an anticompetitive dynamic in which independent competitors, suppliers, and customers must now compete with private equity-backed companies that have sources of guaranteed demand or underpriced supply.
- **Secondary Buyouts.** When it comes time for a private equity fund to exit its investment in a company, it can sell it to another private equity fund if they are the highest bidder. Both funds benefit from this transaction, since both are under pressure to either buy or sell assets according to the strict timetable that their investors expect. For the company, this second sale to a private equity fund starts all of these tactics all over again.

Table A: The Risks from Private Equity in a System Without Guardrails¹

Access	Private equity investments in child care are unlikely to significantly contribute to an expansion in supply. Corporate providers may be rapidly growing, but this is often through roll-ups and other acquisitions which simply converts existing supply into supply under their direct control.
	Corporate providers may also redistribute resources towards communities that can pay the full cost of care, offsetting any new centers they create in higher-paying communities and allowing closures to happen elsewhere.
	If private equity companies draw staff and other resources away from the providers who serve lower-paying communities, corporate providers may concentrate the supply of child care in wealthier communities or among employer-sponsored clients.
Affordability	Corporate providers will raise tuition prices, family co-payments, and fee rates as much as they need in order to maintain their profit margins. This means that they will pass any changes in their operating expenses directly on to families and employers.
	If public spending increases to cover providers' operating costs, then corporate providers will increase their profits rather than increase care quality.
Provider Wellbeing	Corporate providers may currently pay higher wages than many smaller programs, but they will resist efforts to raise the minimum wages and benefits for their staff as a condition of receiving public funding.
	To cut their operating expenses, they will likely disproportionately rely on part-time staff employed through just-in-time or algorithmic scheduling tactics.
Quality	Corporate providers will seek to maintain outward signs of quality, especially if they focus on wealthier communities and employers as their clients. However, their emphasis on quantitative metrics of quality and profitability—such as enrollment—may lead them to disregard the important human connections that constitute good caregiving.
	Corporate tactics that undermine caregiving job quality will, all else being equal, directly lead to inferior quality care through higher staff turnovers and more tired and stressed caregivers. For children, this churn means constantly being introduced to new caregivers and teachers, never having the chance to form bonds of trust with caregivers, and being forced into an unpredictable environment in which learning is harder.
Provider Diversity	Corporate growth tactics that depend on acquisitions, roll-ups, or conversions of existing providers into franchisees all contribute to the corporatization and concentration of the child care industry.
	Revenues and profits in the industry will increasingly go to (disproportionately white and male) corporate owners and investors instead of from local (racially diverse female) entrepreneurs.
	By reducing families' ability to find non-corporate providers, these companies will have more freedom to use unfair tactics to prevent new entrants or to push out small competitors.

¹ For a more thorough analysis of the corporate child care business model and its potential impact on the vision of child care as a public good, see (Stienon and Boteach 2024)

Underpinning all of these risks is the concern that corporate providers could capture the industry if they are allowed to control a significant share of child care markets. Once corporate providers become the dominant players in either local or national markets, leaving families and employers with few alternative providers to choose from, then they will have more power to lobby to structure markets around their profit goals as opposed to the priorities of all the other stakeholders who depend on the industry. Private equity will thus join child care advocates in calling for more public funding for the child care sector, as that will grow the market for their portfolio companies. However, when designing guardrails and rules for the child care markets, their interests will likely diverge from those of other stakeholders.

Paradoxically, the same funding that will attract greater private equity interest in the child care sector is also essential to slowing the collapse of the non-corporate providers in the industry. Without public support, small- and medium-sized providers will continue to close due to the near-impossibility of earning enough revenue to cover the true cost of care. This will leave corporate providers with an ever growing share of the market, especially in the communities and employer-sponsored parts of the market where revenues are high enough to support profits, creating even more rural and lower income communities with insufficient child care. If policymakers delay too long, they may have little choice but to depend on corporate providers to supply care for families, irrespective of whether this is truly in the best interest of families, workers, employers, and communities.

A STATE STRATEGY TO PUT CHILDREN BEFORE PROFITS

As they develop a new strategy for child care, state and local policymakers and advocates have the opportunity to build protections into the policy and institutional foundations of this industry to prevent profit incentives from overtaking the social priorities for families, communities, employers, and workers. Such a strategy is particularly important for a sector like child care where many providers are private, for-profit enterprises. These enterprises, large and small, will play a key role in ensuring that this sector guarantees universally accessible and affordable high-quality care, fair compensation to providers, and diverse care options for families.

In crafting this child care industrial strategy, state and local policymakers and advocates can look to the vast amount of

research that exists on private equity and its impact on other parts of the U.S. economy to understand the risks incurred, and the policy options that exist to mitigate them (Stienon and Boteach 2024). Private equity is a good archetype of understanding profit-maximizing behavior because these investors structurally face more incentives to prioritize short-term profits than any other form of corporate ownership or investment. They are also, as Brown et al. (2021) noted, “divining rods of market failure,” meaning that they are often the quickest to identify and exploit opportunities to extract wealth. Policies and market incentives designed to guard against private equity behavior will therefore be strong guards against the worst behavior of other profit-maximizing actors, be they large or small, and will protect the vision for child care that centers on children and families.

First, state and local policymakers must raise the standard rules of the game. The minimum standards of behavior must rise across the industry so that everyone who wishes to participate in child care markets, or who receives public funding to supply child care, is required to operate in ways that align with the vision of child care as a public good. This is important for preventing corporate providers from pushing down operating costs or raising their revenues using behaviors that harm children, families, or workers. Policy actions should include:

- **Ensuring quality and labor standards**, including around staffing levels, minimum wage and benefit requirements, collective bargaining rights, and protections for part-time workers;
- **Setting conditions on public funds** to set common sense operating standards that protect families and workers;
- **Supporting providers financially and technically** so that they can meet these new standards and conditions; and
- **Strengthening enforcement** by investing in state agencies’ inspection capabilities; ensuring parents, workers, and non-corporate providers can safely share concerns with state agencies; and imposing financial penalties on those that violate these standard rules.

Second, state and local policymakers must build and protect fair and competitive markets. Corporate providers must not be allowed to accumulate excessive market power relative to other programs lest they leverage this power to unfairly undercut their smaller competitors or restrict families’ care choices. This also

means that neither small programs nor families must become dependent on private equity-backed providers for their services or financing. Policy measures should include:

- **Proactively monitoring the health of child care markets** through increased disclosures and public registries and through investments in increased government oversight of child care markets;
- **Restricting corporate market expansion** by blocking acquisitions that harm local markets, or capping the share of public funds of business licenses granted to any single company;
- **Enforcing fair market regulation** by using state competition laws or by introducing restrictions on the sale of child care programs; and
- **Supporting non-corporate buyers of child care programs** through increased funding and technical support.

Third, state and local policymakers must support private equity alternatives that can equitably increase the supply of diverse child care options across communities. Corporate providers hold many market advantages that help them be the first in line to take advantage of public programs aimed at increasing the supply of child care. It is therefore the responsibility of state and local policymakers to ensure that non-corporate providers have the resources they need to compete and grow. These interventions can include:

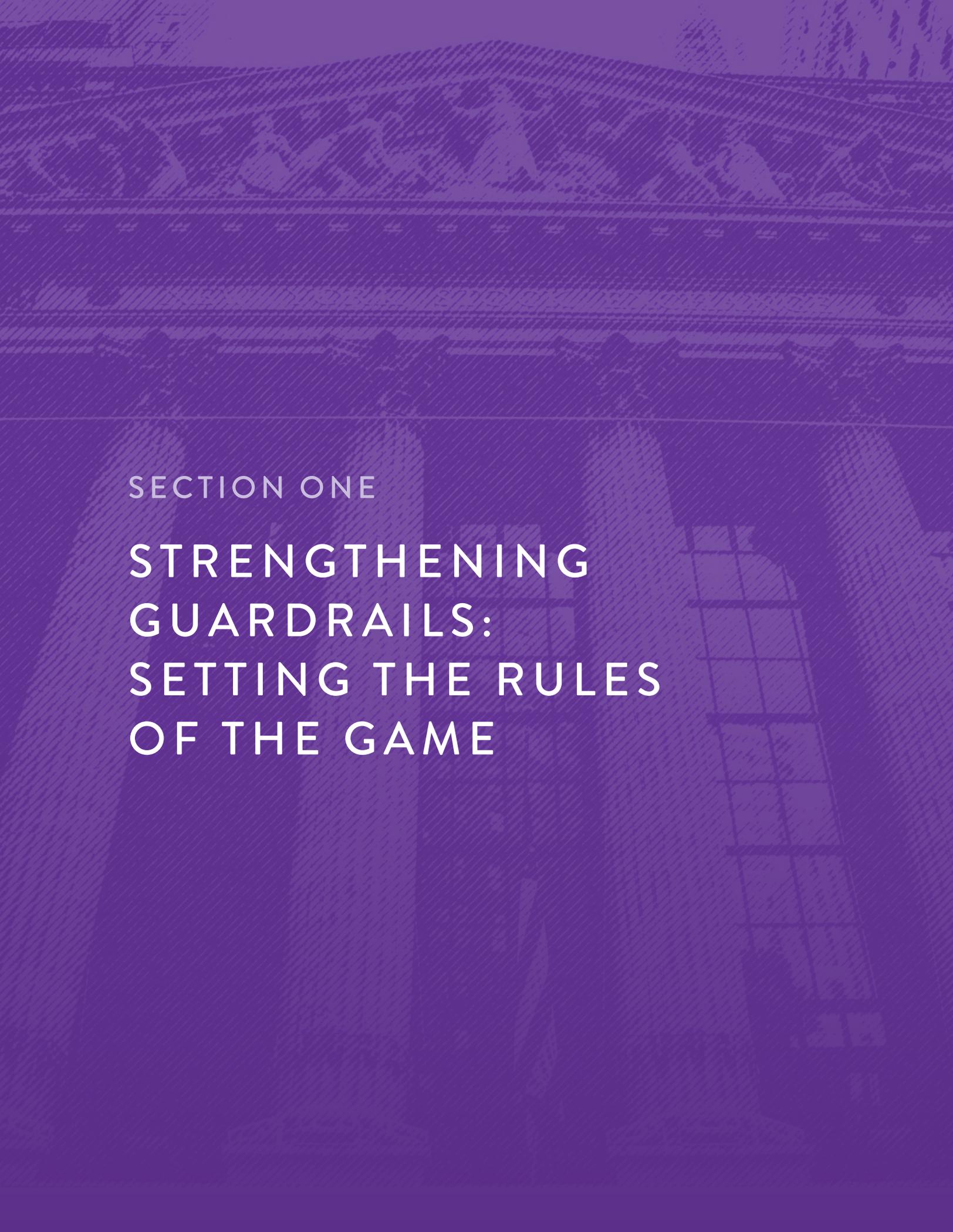
- **Increasing providers' revenues and access to capital,** be it from the public sector, community development finance institutions, small business investment companies, employers, or other stakeholders like workers and worker cooperatives;
- **Replicating corporate providers' advantages from economies of scale** by supporting providers that form shared-service cooperatives, or by increasing public technical assistance; and
- **Deepening public participation in child care markets,** including by creating public child care options that operate within a mixed-delivery system, enabling public acquisitions of struggling programs, supplying publicly owned real estate to community providers, and increasing transparency about child care markets.

Finally, child care stakeholders must increase corporate accountability by building the countervailing power of the individuals and organizations whose interests align with the vision of child care as a public good. If properly empowered and mobilized, stakeholders—such as workers, families, non-corporate providers, and long-term investors—can help push back against corporate efforts to put short-term profits over priorities, including child wellbeing and the growth and long-term financial stability of the sector. This organizing power can come from:

- **Stakeholder advocacy organizations,** which can help the families, workers and other community members directly impacted by the risks and harms of corporate child care to speak out about their experiences and to advocate for corporate accountability and improved policy actions;
- **Small business organizing,** such as through cooperative or industry associations, which can expand non-corporate providers' leverage in market and policy negotiations;
- **Worker organizing,** such as through unions, to empower workers to improve their workplace conditions and call out harmful corporate behavior;
- **Industry committees,** which allow diverse child care stakeholders to engage directly in the creation of policies and standards in this sector; and
- **Asset manager engagement,** from large institutional investors like pension funds, who can take greater responsibility for increasing oversight of the management practices of the funds in which they invest and advocate for increased transparency over private markets.

Despite the challenges facing the child care industry, state and local policymakers and stakeholders have the power to help the U.S. build a child care system that is the envy of the world.

State and local governments have the unique opportunity to craft a set of market rules and incentives that ensure that the investors and corporate actors entering child care markets are behaving in ways that contribute to, rather than detract from, the vision of child care as a public good. Achieving this vision will require contributions from all stakeholders, including private providers and investors, and a commitment from all actors to put the wellbeing of children ahead of their individual profits.



SECTION ONE

STRENGTHENING
GUARDRAILS:
SETTING THE RULES
OF THE GAME

I. STRENGTHENING GUARDRAILS: SETTING THE RULES OF THE GAME

High standards backed by a well-funded system to enforce adherence to these standards are essential guardrails for socially important industries like child care—especially if a significant share of their revenues comes from public funding. Successful regulatory systems that define the rules of the game for all the providers in sectors like child care set a floor under their operations, restricting their ability to cut costs at the expense of other stakeholders or the vision goals.

These systems at once define the legal boundaries in which corporate providers can operate in the child care industry, restrict opportunities for providers to move outside those bounds, and punish those who attempt it. To build adequate guardrails, state and local policymakers and advocates must design (a) high quality and labor standards for the industry, (b) conditional public funding contracts, (c) support systems for providers to achieve these standards, and (d) enforcement mechanisms. Together, these guardrails help ensure that the providers who enter or remain in the child care industry are committed to advancing the broader vision for the sector, while pushing out those investors and corporate providers who are only interested in their own profits.

A. QUALITY AND LABOR STANDARDS

Corporate child care providers can extract profits from this sector by cutting operating costs, bringing down service quality while increasing potential harms to workers, children, and families. Profit-maximizing providers that use these types of cost-cutting tactics do not pass on their savings to children, families, and workers; instead, this money goes into the pockets of their owners and investors, even as other stakeholders suffer the consequences of these cuts.

Corporate providers have an incentive to meet official quality requirements in order to maintain enrollment levels. Corporate centers are therefore likely to be registered and licensed at the state level, and will pursue voluntary accreditation through organizations such as the National Association for the Education of Young Children (NAEYC) or Cognia. Nevertheless, they are likely to continue lobbying local governments, as well as industry standard-setting organizations, to lower these standards—often in the name of supporting small and struggling providers.

Even when these providers meet official quality standards, corporate tactics, especially around labor, undermine quality in ways that are not always reflected in these metrics. The quality of child care is heavily dependent on the strength of the relationships that children build with their caregivers—relationships that deepen with the time that children and caregivers spend together. Children also need stability in their environment if they are to feel safe and comfortable enough to engage with the world with curiosity. Corporate providers that suppress workers' wages and job quality often experience higher staff turnover rates, which directly lower their care quality.

Corporate providers can also undermine quality by under-investing in other supplies. Elsewhere in the care economy, private equity-backed providers have relied on cheaper facilities, cheaper equipment, and even cheaper food options (Appelbaum and Batt 2020). Most child care providers must depend on inexpensive supplies given their tight operating margins. However, this behavior among corporate providers may undermine efforts to advance the vision for child care if it runs counter to public expectations that increased funding will go towards investing in higher quality supplies and facilities—an outcome that is more likely if these expectations are not made explicit in funding legislation or if they are left unenforced.

Corporate owners can also reduce quality in less quantifiable ways by requiring providers to prioritize activities or outcomes tied to revenue, such as enrollment rates, rather than actual care quality. For example, program directors in private equity-owned companies report being pressured to prioritize raising enrollment rates above all other considerations, leaving them with little time to oversee the day-to-day management of their centers (Haspel 2024b). Similarly, easily quantifiable requirements—such as that caregivers send parents photographs of their children every hour—can allow providers to give the impression of providing high-quality care to parents while reducing the quality time that care workers spend with their charges (Haspel 2024b).

Finally, corporate providers can reduce their costs by providing more standardized care to all children to the point that they reduce caregivers' freedom to modulate their activities based on the individual needs of each child. In the autism services industry, for example, workers at

private equity-owned providers were more likely to report being pressured to standardize the treatment plans they offered to autistic children (Batt et al. 2023). This would be a particular concern for children with disabilities or chronic conditions for whom providers must be willing to provide physical accommodations, engage the child using their assistive technology, or otherwise remain flexible and attentive in supporting the child's unique growth and development.

High regulatory standards have been essential to ensuring that child care providers operate in ways that contribute to social priorities for the sector. Policymakers must clearly define these across the board to ensure corporate providers also adhere to high quality and workplace outcomes. At the same time, providers should retain flexibility in the type of care that they offer families to protect the diversity of care options.

State policymakers are able to set standards that either apply to all the child care providers active in their state, or else that come as conditions for receiving public funding. As with disclosure requirements (see [Section II.A](#)), policymakers can set up tiered, cumulative standards systems that identify baseline conditions that apply to all child care providers, atop which they can add additional requirements on providers that receive public funding, or that are investor-owned.

Policymakers should adopt quality standards that guard against the most likely forms of cost-cutting in the child care industry. Labor costs are child care providers' largest operating expense, and worker wellbeing is one of the most important determinants of child care service quality. As such, quality standards must include protections around providers' staffing levels, workers' wages and benefits, and the rights of part-time workers. Quality standards, whether independent or part of the Quality Rating and Improvement Systems (QRIS) that some states use, should be designed to incentivize and support

providers in meeting those standards. Otherwise, quality standards intended to prevent corporate providers from taking advantage of the system could unintentionally harm small providers in communities with lower incomes that lack the resources to meet QRIS standards.²

STAFFING LEVELS

Corporate providers lower operating costs by cutting staffing levels, even if this requires remaining staff to work longer or more unpredictable hours. This has been a common tactic observed among private equity-owned nursing home providers, where staffing rates fell by 1.2 percent on average after private equity buyouts, and the remaining nurses were required to work more overtime hours (Gupta et al. 2021). In the child care space, this behavior will be constrained by local child-staff ratio requirements. However, workers have posted on online forums about corporate providers who send staff home at the start of, or even during, shifts if low attendance (or early pick-ups) reduce the number of staff legally required to be in the classroom (Electronic_Comb_5312 2022); state regulators have also been receiving complaints about corporate providers under-staffing their facilities (Steffes-Tuttle 2024).

Child-to-staff ratios represent one of the most important quality protections that the child care industry currently has. Regulations around staffing ratios were notably absent in many of the other care sectors that have been harmed by private equity investments, such as the nursing home industry (Gupta et al. 2021).³ The American Academy of Pediatrics has defined a recommended maximum child-staff ratio for varying age-groups and care settings (American Academy of Pediatrics et al. 2019), while NAEYC's accreditation program assigns a range of acceptable ratios for workers that also meet their skills standards (NAEYC, n.d.). States should consult

2 QRIS-based incentive schemes are only effective if they are large enough to reimburse providers for the cost of meeting higher standards (NASEM 2018). Otherwise, these incentive schemes reward providers that were already more financially secure, without giving adequate support to other providers who need access to money to make necessary improvements. In fact, child care programs that serve higher numbers of Black and Brown children are less likely to be awarded high ratings, which in turn locks them out of many of the benefits that flow to those programs (Bassok et al. 2019). Furthermore, QRIS often does not incorporate measures that meet families' diverse needs, including families' cultural and linguistic preferences—which can be particularly important for families of color (Lieberman 2022; Nzewi et al. 2020).

3 In April 2024, the Biden Administration introduced the Nursing Home Minimum Staffing Rule intended to erect such a guardrail against understaffing for nursing home providers receiving Medicare and Medicaid payments (White House 2024). A district court judge overturned this rule a year later, arguing that the authority to set such a standard rests with Congress, and not the Center for Medicare and Medicaid Services (Chibambaram 2025).

these standards in setting child-staff ratios that adequately protect children’s wellbeing. Unfortunately, several state governments are loosening child-to-staff ratios in an effort to address the child care shortage, even though this deregulation increases risks to children while opening the door for corporate providers to boost their profits (Mesa 2024; Pfannenstiel 2025). Rather than attempting to help child care providers by removing rules that protect children, policymakers should increase the financial and technical support they give to providers so that they can provide safe, high-quality care to children and families (see [Section III](#)).

Regulators can also set worker qualification standards that determine the number of lead teachers, assistant teachers, or other caregivers who must remain in a classroom or other setting. In the absence of well-defined state staffing requirements, private equity owners can, without changing wages, shift towards employing more workers in lower-paid roles, such as assistant teachers (rather than lead teachers) or teachers without advanced credentials. As seen in the nursing home industry, private equity owners may increase the share of lower-paid workers that they hire, and demand that assistant teachers, for example, take on more of the responsibilities that normally would be delegated to lead teachers (Gupta et al. 2021).

Policymakers should also consider fair scheduling laws to reduce providers’ financial incentive to use just-in-time staffing models in response to children’s attendance. Notably, states can require that employers compensate workers for last-minute changes to their work schedules, including reducing or canceling their shifts (NWLC 2023). This reduces the financial incentive to send child care workers home on days or shifts with lower attendance.

State and local governments can also create worker career paths or ladders. These standards define career progression recommendations, including for worker development and wage growth, scholarship opportunities, and loan forgiveness. Depending on the needs of each state, these standards can be broad or specific, and focus on a range of issues from skills development to benefits and salaries. These are particularly impactful when tied to funding, or when focused in high-impact areas (Neighborhood Villages 2025).

WAGES & BENEFITS

Child care workers are paid substantially less than K-3 educators, whose salaries are covered through public investments in schools. McLean et al. (2021) found that in 2019, the national average annual salary of a six year-old’s kindergarten teacher (\$56,850) placed them in the 61st percentile of U.S. incomes, while that of a child care worker (\$24,230) placed them in the 2nd percentile. Among workers employed in child care centers, Black women receive the lowest wages since they are the most likely to be working in the lowest-paid roles, caring for infants and toddlers.

Private equity owners across industries actively work to keep wages, benefits, and other labor expenses as low as they can (Appelbaum and Batt 2014). This behavior runs counter to ongoing efforts to improve child care job quality and to raise providers’ incomes above poverty levels, and risks stalling, if not reversing, any progress in this area. A particular concern may be private equity-backed franchises, since these types of employers are notorious for their labor rights violations, including wage theft (Ash 2021).

Wages and benefits, of course, will vary based on local minimum wage requirements, but meeting minimum standards is not enough to ensure that child care workers can thrive. For now, corporate providers appear to be paying comparable, if not slightly higher wages relative to the rest of the industry, especially since they are more likely than other employers to be able to afford to provide benefits such as health care. This is likely due to these providers needing to keep wages high enough to attract workers in a tight labor market where wages, even in sectors such as fast food, have been rising. Corporate providers can keep up with wage inflation without cutting into their bottom lines so long as they can pass the costs directly on to their consumers.

To protect child care job quality, and attract more workers into this sector to increase supply, state and local policymakers will need to raise wages for child care workers, with the aim of reaching pay parity with K-3 teachers. Most state child care funding policies do not include baseline wage requirements, or wage and career ladders or ladders detailing compensation incentives for advancement. It is important that policymakers do more than raise the minimum wage for the industry. They must work to lift wages and benefits for workers across the industry based on their levels of experience, qualifications, expertise, and workplace responsibilities.

Policymakers can make these wage requirements a condition for receiving public funding, and should make sure to increase this funding enough to cover providers' new labor costs.

PART-TIME, JUST-IN-TIME, AND GIG WORKERS

Corporate owners can rely on part-time workers and just-in-time scheduling systems that would help them avoid paying for benefits while pushing down their variable costs. These tactics may be facilitated by new algorithmic management technologies—provided through apps like [UpKid](#), [1Core Solution](#), and [Tandem](#)—that facilitate algorithmic scheduling and turn caregiving into a form of gig work. This use of algorithmic management is being introduced in various health care settings, especially in the nursing industry through rapidly growing apps like the private equity-owned ShiftKey (Gallagher 2023; Fairwork 2025). These apps allow workers to see which shifts local providers need filled, along with the minimum base pay; they then submit a bid to fill a shift, along with an offer for how far above the base pay they wish to be paid. These systems effectively pit workers against each other so that they push their own wages down, while creating opportunities for providers to pay unequal wages for equal work (Wells and Ustek Spilda 2024).

In child care, these apps are designed to help providers find temporary substitute teachers to maintain child-to-staff ratios—but this implicitly makes it easier for any provider to meet regulatory staffing requirements while increasing their reliance on short-term, low-paid workers who work without predictable schedules. Furthermore, in the nursing industry, companies like ShiftKey have backed legislative efforts to define the workers on their platforms as independent contractors rather than full-time employees, allowing them to misclassify workers to push down wages and job quality (Wells and Ustek Spilda 2024).

By forcing caregivers to work long or irregular hours for low wages, private equity owners risk increasing worker turnover rates and may even push some caregivers to exit the industry entirely—two dynamics that have been observed in other care sectors that saw large inflows of private equity investments. In 2019, 47 percent of for-profit centers operated through a franchise or chain experienced “high” turnover rates of over 20 percent—a greater share than any other ownership type (Amadon et al. 2023). The higher turnover rates—as well as the part-time and algorithmic scheduling—reported in corporate child care providers should be considered a sign of lower quality,

since this churn results in children being constantly introduced to new caregivers and teachers, having fewer opportunities to form bonds of trust with caregivers, and being forced into an unpredictable environment in which learning is harder.

State and local governments should strengthen protections for part-time workers, be it in the child care industry or across their state (Gerstein 2025; Khan and Bernhardt 2025). Policymakers should consider part-time parity laws that require employers to provide equal wages, benefits, and eligibility for promotions to part-time staff that are on par with those offered to full-time staff in equivalent roles. Policymakers can also introduce a “access to hours” policy for the child care industry that requires providers to offer any additional hours of work to their existing part-time workers before hiring new workers or turning to staffing agencies and apps (NWLC 2023). Finally, states can strengthen their laws against worker misclassification in child care markets, protecting workers against losing the rights and benefits of being full-time employees (Office of Minnesota Attorney General Keith Ellison 2024).

B. FUNDING STRATEGY

Funding policy is another critical way that state and local policymakers can shape the incentives, market structure, and outcomes of the child care industry. Even though the majority of public child care funding comes from federal programs, state and local governments can determine how much to supplement federal funds, and the conditions under which they are distributed to local providers. As federal funding comes under increased jeopardy, the responsibility for developing new models for funding and supporting healthy child care markets will fall increasingly on state and local governments. Beyond increasing public funding for child care (see [Section III.A](#)), state policymakers must design their funding strategy to restrict opportunities for corporate providers to profit by undermining the broader vision for the industry. Policymakers can do this by introducing conditions, disclosure requirements, and restrictions into their funding contracts, while proactively prioritizing funding for non-corporate over corporate providers.

FUNDING CONDITIONS

Policymakers must adopt clear funding conditions that ensure that providers supply the quality and quantity of services that taxpayers are paying them to provide, rather than diverting

this money towards profits for their corporate investors.

In other words, policymakers must ensure that corporate providers have to work for their money.

Public programs like Head Start that use a contract-based funding model must include well-defined expectations about what services and investments are to be provided in exchange for this money. This funding model pays providers through lump-sum contracts in which providers are responsible for making a given amount of care available (i.e., making slots available for a specified number of children), rather than being paid for how much care is actually used. This funding model is best suited to ensure provider revenues remain stable (since the level of care use can vary due to child absences), but it can allow profit-maximizing providers to cut operating costs while maintaining the same amount of income. These funding contracts must therefore set clear minimum standards about which expenses are a necessary cost of doing business in this industry—expenses that are required because reducing them would compromise one or more of the vision goals. Only after paying these expenses should providers be allowed to divert taxpayer money towards other uses, such as debt payments, franchising, royalty or management fees, or investment dividends.

State policymakers should set funding conditions that build on the child care industry standards they have set for all providers. This includes baseline quality expectations about the staffing levels, worker qualifications, supplies, and facilities that publicly funded providers must maintain. Policymakers can use funding contracts to strengthen industry standards—such as by requiring providers receiving public money to maintain child-to-staff ratios corresponding to whichever is greater between the number of children in attendance, or the number of seats the provider has been contracted to support. Public funding should also include conditions on child care workers' wages, benefits, and career advancement opportunities, with an emphasis on achieving pay parity with K-3 teachers. Policymakers can protect public investment in crucial services as well as workers' path to a union by requiring that recipients of public funding, if not all licensed providers, recognize their employees' collective bargaining rights and commit to labor peace. They should further specify that employers who misuse public funds for non-program purposes, such as opposing workers' choice to organize, are ineligible for continued public funding. Finally, they should ensure public funding covers services like class outings or meals so that small providers do not have to cover these costs from out of their own pocket, and so that families do not face additional fees for these services (Willis 2024).

State policy can also set limitations on uses of public funding that do not advance the mission goals. Most notably, policymakers should set limits on executive compensation, debt ratios, dividend recapitalizations, and for publicly-listed companies, stock buybacks and investor dividends. Policymakers who wish to directly deter franchise companies or private equity-backed companies could also consider ways to limit the franchise or management fees integral to these business models. These types of restrictions are particularly important while the child care industry is in transition—with supply expanding and wages and incomes on the rise—since they ensure that the funding that enters this industry remains at the level of the local provider (as opposed to the parent company or franchisor), where it can be invested towards achieving the mission goals.

Furthermore, to protect families or small providers from shouldering the cost of fixing child care markets, policymakers should ensure adequate public funding to cover more of families' co-payments, and should restrict how much corporate providers can raise their prices year-on-year. Even as policymakers prioritize raising public funding for child care to help providers meet high quality standards, they must also protect families from corporate providers who pass the cost of meeting those standards on to them in order to protect their profit margins. Policymakers can look for guidance to Vermont's funding model, as well as the new Child Care and Development Fund (CCDF) regulations that cap families' co-payment rates to their incomes, ensuring that they do not pay more than 7 percent of their household earnings on child care for all of their children—although state and local policymakers should continue to pursue the goal of ensuring that families with lower incomes face no copayments.

DISCLOSURES

State policymakers should impose additional disclosure requirements on corporate providers that receive public funding to increase transparency about how taxpayer money is being used. Policymakers should require funding recipients to disclose any ties to a chain or franchising entity; any

investors with a 5 percent or greater ownership stake; both their immediate owner and ultimate parent entity; the percent of their revenues coming from public sources; the percent of their spending that goes towards direct care services; tuition and co-payment levels; debt levels; and worker-executive pay ratios. Policymakers should create tiered disclosure systems that require different levels of transparency from different providers

Case Study 1: New Jersey Abbott Districts

New Jersey is a national leader in developing a system moving towards the vision of child care as a public good.

In 1998, as part of the *Abbott v. Burke* litigation concerning disparities in public education funding across the state, the New Jersey Supreme Court mandated that the state supply universal, free access to preschool for all the 3- and 4-year olds in districts with the highest poverty rates (*Abbott v. Burke* 1998). To meet this mandate, the state government decided to develop a mixed-delivery system for these 31 “Abbott” districts that would provide child care using public district-run programs, Head Start programs, and private and non-profit community programs. This decision meant that, rather than seeking to replace the existing network of child care providers in these communities, the state needed to ensure that these providers adhered to the same standards of care as public programs.

New Jersey successfully integrated private providers into its universal child care system by instituting strict parameters in their provider contracts. In allowing the state to use a mixed-delivery system to meet its mandate, the court required that all providers, whether public or private, meet the same quality standards, which it defined as: (1) employing certified teachers with a bachelor’s degree, (2) capping class sizes at 15 students, and (3) using a developmentally appropriate curriculum (Mead 2009). The state Department of Education (NJDOE) delegated the responsibility of contracting with local providers to the district governments, but developed strict standards for what needed to be included in those contracts. These included standards on the court-defined quality metrics, as well as topics like workers’ pay scales, minimum hours of operation, and facilities (NJDOE 2015). Certain contract conditions are particularly effective at dissuading corporate entry into Abbott districts’ child care markets, such as

restrictions on the use of real estate leasebacks, or a cap on program’s profit growth at 2.5 percent of their publicly-funded operating costs (NJDOE 2025). These contracts also increase transparency and facilitate enforcement by requiring providers to submit quarterly expenditure reports and supporting documentation to district regulators, and to participate in annual quality assessment programs (ELC 2007). Meanwhile, NJDOE required district governments to regularly monitor programs to ensure their compliance with these standards, and to terminate contracts with anyone that violated them (ELC 2007).

As important as these contracts were in raising quality expectations for child care providers, the state still needed to provide additional support to providers in order for them to meet these higher standards. Dedicated funding for the Abbott programs was critical. When, in 2007, the state decided to expand children’s eligibility to Abbott-quality programs to more districts without allocating additional funds to the effort, these communities continued to face care shortages (La Gorce 2017). In addition to adequately funding care in the Abbott districts, NJDOE required the local governments to help providers develop their budgets and financial skills to meet the new accounting needs. The state also worked with local universities and provided scholarships to help child care workers and administrators meet the new certification requirements; notably, they also created alternative programs that allowed workers to count their experience and existing skills to get certified (Mead 2009). This support from the state ensured that all types of providers would not only be held to the same high standard, but that they would also have the financial and technical resources to comply with these expectations.

in order to avoid placing an undue regulatory burden on the small providers (see [Section II.A](#)).

Policymakers must safeguard public funding (or public insurance) program that provides additional fee-for-service payments to providers. Services, like early intervention for children with disabilities, is often paid by the hour based on the type of service provided. Corporate providers of these services have been more likely to bill for more hours per patient than was medically necessary, or to classify patients into more expensive service categories (Batt et al. 2023). The policy challenge here is in expanding children and families' access to critical services while limiting opportunities for the providers of these services to fraudulently claim higher reimbursement rates—and to do so without punishing families for corporate providers' abuse of the system. Policymakers should require providers receiving public funding to disclose the name of the specialist serving each child as well as the hours that services were delivered. This guards against corporate providers pocketing the extra payments without delivering it in the quantities and to the children promised.

PRIORITIZE NON-CORPORATE PROVIDERS

State and local policymakers can structure funding programs to prioritize different types of providers, ensuring that more funding goes to the small non-corporate providers more likely to protect the public interest. In doing so, policymakers will incentivize these types of providers to enter the markets, while disincentivizing investments from private equity and other corporate funders. This is an important means of strengthening the diversity of program types in local markets, thus increasing family choice.

Policymakers can consider many different metrics by which to determine which providers to support. For example, policymakers should consider providing additional funding to providers based on operational criteria, such as their size; their participation in co-ops; their inclusion of parents or workers on boards or in management decision-making; the unionization of their workforce; or to nonprofit or community-based ownership. One model for this is the Rural Electrification Administration, a New Deal program that prioritized co-ops and nonprofits in its distribution of low-interest loans to new enterprises expanding access to electric and telephone lines in rural communities. This 1930s program succeeded in increasing supply, access, and affordability to this critical infrastructure while ensuring that the financial gains of this

industry remained in the hands of local communities and workers (Waters 2020). Policymakers can also provide higher payment rates to providers who enter areas with a severe shortage of licensed child care, provide care for children with disabilities, serve low-income or marginalized communities, or offer care at non-traditional hours, among other considerations, in order to encourage increased options and supply to these communities. Policymakers should ensure that home-based providers—which, with their flexibility and diversity, are often well-situated to address these unmet needs—have the support and resources they need to serve as options for families in their communities (Miller and Schulman 2022).

Policymakers can also structure public funding in ways that encourage providers to make the types of investment that advance the child care vision. State and local governments that want to encourage providers to make investments that increase their quality, build supply in under-served areas, or otherwise advance the vision goals can set higher payment rates for providers who meet metrics tied to those goals—but they must ensure that these rates are high enough to cover the cost of the investments that providers must make to achieve these standards. Many states that have introduced such incentive schemes through their QRIS programs have set payment rates for high-quality providers too low to enable providers to make these investments. Cost-of-quality calculations—when coupled with the investments necessary to support higher payment rates—can help governments set appropriate repayment rates and, if well-designed and effectively implemented, may be preferable to market rate surveys, which can disadvantage providers in lower income communities (ACF, n.d.).

RESTRICT FUNDING TO CORPORATE PROVIDERS

Policymakers can also opt to wield a stick in addition to offering carrots by directly restricting the funding that goes to corporate providers. Growing evidence of the systemic harm that the private equity and franchise business models are causing across industries could justify policymakers deciding to limit the share of public funding available to providers using these business models. For example, the Massachusetts Senate has passed a bill wherein any company directly or indirectly (e.g. franchising) operating more than 10 center-based programs can receive no more than 1 percent of the total funding distributed by the state (Hospel 2024a). This type of

policy limits the market share that any one provider can gain, at least through public funding (see Case Study 2). In this way, the state government is helping to protect the small enterprise nature of the child care industry.

Case Study 2: Massachusetts Child Care Funding Reform

In 2025, Massachusetts included funding reform in its state budget to prohibit large for-profit child care providers in the state from receiving more than 1 percent of public funding (Commonwealth of Massachusetts 2025). This regulation is part of a broader set of reforms that work to address the enormous cost of child care while ensuring the quality of that care remains high. The result is “the most targeted guardrails” in the country against investor-backed consumption of public monies (Carr 2024).

The 2025 Massachusetts state budget also bolsters the child care system in other ways. In addition to importantly and significantly capping public funding of large investor-backed companies, the reforms also cap costs for families at 7 percent of their income and make care permanently free for families under the federal poverty line (Neighborhood Villages 2025). The reform similarly offers a significant example of leveraging new data definitions for success, as child care financial assistance rates reflect the true cost of care (Massachusetts Department of Early Education and Care 2023).

This landmark law strengthens the entire child care system in Massachusetts while supporting providers, ensuring stability and access for providers and families, and improving quality and quantity of care for families (Neighborhood Villages 2025).

C. SUPPORT TO MEET STANDARDS

State and local policymakers should also provide non-corporate providers with support to meet these minimum standards. Helping non-corporate providers comply with these standards is a more effective way of supporting these enterprises than keeping standards low in the hope that this will reduce their operating costs, since the latter also helps corporate providers boost their profits and market power.

For many smaller providers, consultation, support, and resources are the best remedies to help them come into compliance with regulatory standards and from there, to improve the quality of their programs. To start, states need to increase public funding to providers to compensate them for the higher operational costs they will face when meeting these standards (see [Section III.A](#)). Rather than rely on QRIS, which disadvantages home-based providers and can entrench racial inequities, policymakers can introduce progressive funding formulas that increase providers’ revenues enough to help them cover the cost of investing in higher quality care, thus helping the most disadvantaged providers strengthen their programs.⁴ Although many states have already incorporated financial incentives into their QRIS, policymakers should review these incentives to ensure that they adequately compensate providers for the cost of making the improvements necessary to achieve higher standards—as opposed to simply providing higher funding to programs that are already financially secure.

D. ENFORCEMENT

In order for standards to be effective governments must have the tools to properly enforce these rules to ensure the wellbeing of children and workers. Policymakers must thus design and fund systems that are capable of consulting with and helping programs improve their standards (see [Section III](#)), and identifying and penalizing licensed providers who fail to abide by government regulations.

4 State and local governments’ quality metrics will vary, but organizations like the National Association for the Education of Young Children (NAEYC) design their quality accreditation systems to capture whether child care providers support: sensitive and responsive relationships between caregivers and children; a curriculum promoting social, emotional, physical, language, and cognitive development; effective teaching approaches; child progress; an emphasis on safety, health and nutrition; staff competencies, preparation, and support; strong and durable relationships with families; connections to community resources and relationship; a safe and healthy physical environment; and strong leadership and management.

State and local governments will need to expand their inspection capabilities in tandem with any growth in child care supply. Even if they contract with third-party inspectors, governments should commit to directly inspecting a given share of providers to verify that contractors' assessments remain aligned with the regulatory goals.

State and local policymakers must ensure that workers have clear mechanisms for voicing concerns about systems and practices that are harmful to other stakeholders or the vision goals. Child care workers must be granted **whistleblower protections** that extend beyond disclosing instances of financial fraud to include providers' violation of workplace or quality standards. Policymakers should also create easy-to-find and accessible portals for workers and families to report violations or make complaints. In addition, policymakers should ensure that credible reports are followed up with a timely investigation. In doing so, they would be adhering to CCDF regulations requiring states to track substantiated complaints and "make public, through a consumer-friendly and easily accessible Web site, the results of monitoring and inspection reports, as well as the number of deaths, serious injuries, and instances of substantiated child abuse that occurred in child care settings" (HHS, n.d.).

More broadly, state and local policymakers should deepen opportunities for families, workers, and non-corporate providers to identify the risks or problems they are observing in local child care markets. Increasing transparency about local child care markets is an important first step in giving workers and families an opportunity to help regulators identify risks or harms to local communities (see [Section II.A](#)). Needless to say, any strategy to increase transparency of child care markets must also respect and protect the privacy and safety of children and workers. Worker participation in industry committees is another important means of ensuring that workers' insight into the systemic challenges facing the industry shapes the ongoing policy effort to achieve the child care vision (see [Section IV.D](#)).

To counter the financial incentive that corporate providers have to cut costs, state and local regulators should impose a financial penalty on providers who violate quality regulations. Providers who create unsafe conditions for children, who violate required workplace standards or workers' legal rights, or who are found to be abusive or negligent in their caregiving should face the credible threat of being fined or having their license to do business suspended or revoked. For example, Massachusetts fined KinderCare \$540,000 for wage, sick, and meal time violations (Office of the Massachusetts Attorney General 2023). These punitive systems should operate in tandem with regulatory processes that work with programs to improve their operations, and should focus on enforcing against behaviors that cause the greatest risk to children, early educators, of the broader sector.



SECTION TWO

PROTECTING FAIR AND
COMPETITIVE MARKETS:
PREVENTING ABUSES
OF MARKET POWER

II. PROTECTING FAIR AND COMPETITIVE MARKETS: PREVENTING ABUSES OF MARKET POWER

Policymakers must proactively level the playing field in child care markets to prevent corporate providers from using their relative market power to unfairly shape the industry to their advantage. These market advantages are the reason that private equity and other types of corporate providers risk gaining control over an ever-larger share of the child care market, even though these are the providers whose business models poses the greatest risk to other child care industry stakeholders, and the broader vision goals for the industry. Therefore, policymakers must work to both provide other market actors with the resources and support that they need to compete with the corporate providers (see [Section III.A](#)), as well as prevent corporate providers from using unfair, harmful, or illegal tactics to push their competitors out of the market.

It is the unique responsibility of state governments to protect local markets from behaviors that harm local markets, but whose impacts may be too small or localized to attract a federal intervention. This is especially important for child care, an inherently local service that all communities need, that cannot be supplied remotely, and that does not benefit from significant economies of scale. From a competition policy standpoint, the relevant size of a market depends on the commercial realities of its stakeholders, and particularly its consumers. For child care markets, the commercial reality is that families generally do not use child care services that are too far from either their homes or workplaces. This means that state regulators and attorneys general are empowered to concern themselves when a corporate provider captures even a hyper-local market, since families in that community will not realistically be able to escape those harms.

State and local regulators can protect fair and competitive markets by: (a) increasing their capacity to monitor how child care providers are behaving in local markets; (b) restricting corporate providers' growth or entry into local markets; (c) enforcing fair market rules for corporate providers that are already active in local markets; and (d) helping local businesses compete against corporate providers.

A. MONITORING CHILD CARE MARKET HEALTH

State and local policymakers must proactively monitor and protect the health of child care markets so that they remain open and fair to diverse types of providers and stakeholders. Fair and competitive markets that offer families diverse child care options are, in and of themselves, a desired outcome for the child care industry. Competitive markets make it easier for families and workers to avoid providers that undermine care or job quality — and therefore make it less likely that corporate providers will extract profits in ways that harm these other stakeholders. Furthermore, competitive markets reduce the local harm of a child care chain going bankrupt (which remains a major risk associated with chains that grow through debt-funded acquisitions), since families are more likely to be able to find local alternatives if their provider shuts down. Policymakers should therefore enforce existing market rules, including state antitrust regulations, while actively monitoring market conditions so that they can respond to new corporate tactics that undermine the vision goals.

TRANSPARENCY: DISCLOSURES & REGISTRIES

Many of the tactics that private equity and other corporate providers use to extract profits from communities are only possible due to the opacity of private markets. Private equity benefits in particular from a lack of transparency since, unlike publicly traded companies, they are under no obligation to provide regular reports to their investors, let alone the public. What information is available about private equity activities is gathered in paywalled sites like Pitchbook—but even these databases can be unreliable since they rely on news articles, press releases, and other voluntary disclosures rather than information regularly supplied by companies and audited by regulators.

This opacity leaves many stakeholders, including regulators, unaware of the extent to which private equity is active in local markets. The fact that private equity funds can avoid disclosing their acquisition or ownership of child care providers

allows them to hide possible conflicts of interests—such as their ownership of several “competing” child care providers in the same community, or their ownership of businesses, like curriculum providers, in industries adjacent to child care. Meanwhile, other child care stakeholders are unlikely to have information about how a corporate provider’s management tactics impact the community—such as by raising prices on families, or by closing or moving certain child care facilities.

Making child care markets fully transparent is the first step towards protecting children, families, workers, and communities from corporate providers who use unfair tactics, if not outright violations of antitrust rules, to maximize their profits at the expense of other public goals.

State and local policymakers can increase child care market transparency by requiring greater disclosures from providers.

Policymakers generally have two avenues for requiring disclosures: as a condition of receiving and renewing a child care business license, or as a condition of receiving public funding to supply child care services.

First, policymakers should require disclosures to child care regulators about providers’ ownership and relationship to other private actors in child care markets. This includes disclosures about a provider’s immediate and ultimate owners,⁵ board members and management, acquisitions, and ties to businesses in related industries. These disclosures should enable child care regulators to understand the extent to which any one investor or company is active in local child care markets, and to identify potential conflicts of interests or opportunities for unfair collusion between corporate actors.

Second, policymakers should require regular disclosures to child care regulators about corporate providers’ business practices. Disclosures that allow policymakers to identify excessive growth, or instances where public revenues are being diverted to pay for executive compensation, dividend payments, and management or other fees to private equity owners empower child care regulators to identify instances of profiteering to the detriment of families and communities.

Disclosures related to programs’ size, staffing levels, wage and benefit levels, and debt-asset ratios allow regulators to monitor programs’ market share and identify whether programs are assuming risks that could harm families and workers.

In order to limit the burden of additional disclosure requirements on small providers, policymakers should consider creating a tiered disclosure system that would require different levels of transparency from different providers. Any system should require baseline disclosure as part of the child care licensing process that includes information about providers’ ownership, size, staffing levels, tuition, and public assistance levels. Additional disclosures can be required of providers that receive public funding, including about any co-payments or fees that they charge families in addition to tuition, their debt-asset ratio, their wage and benefits levels, and any fees or franchising arrangements they have with other stakeholders. Finally, providers that are owned by private equity or other types of corporate investors should be held to the highest disclosure standard, which would include disclosures about their executive compensation, dividend payments, debt-asset ratio, and franchising contracts. Nevertheless, it is important for states to provide technical assistance to minimize the administrative burden that these requirements may impose on small non-corporate providers (see [Section III.B](#)).

Policymakers should ensure that this information is available to the public. States can add to existing online registries or create new ones to ensure that other stakeholders, including families and workers, are fully informed about local child care providers, and are able to keep an eye out for risks to their communities.

REGULATORY MARKET OVERSIGHT

State child care regulators have a responsibility to routinely monitor the health of local child care markets to protect communities’ access to care, and to ensure that markets remain fair and open to diverse providers. State health care regulators commonly monitor company ownership and concentration risks in markets such as the hospital sector,

⁵ The “ultimate parent entity” provided to competition regulators through Hart-Scott-Rodino (HSR) pre-merger disclosures is defined as an “entity which is not controlled by any other entity.” For private equity, this can mean that the disclosed ultimate parent entity is the private equity fund rather than its parent firm, since private equity funds are organized as limited partnerships with no one entity holding a majority stake (Samuel and Conlow 2025). Regulators can require providers disclose the private equity firms to which their ultimate parent entity funds belong, as well as any potential conflicts of interest they may have with portfolio companies of other funds controlled by that firm.

given the potential consequences that unfair market practices or business failures could have on local health outcomes (see Case Study 3). Child care is a systemically important service for local economies, and families and businesses suffer if corporate providers restrict supply, erode service or job quality, or use unfair tactics to push out local competitors.

By actively monitoring markets, state regulators can be proactive about addressing systemic risks, like an over-dependence on a single corporate provider, and spot early warning signs about corporate behavior that is harming other stakeholders.

To start, state regulators can consider setting guidelines about which levels of child care market concentration or control by corporate ownership structures they consider acceptable. These guidelines can be included in new or updated legislation that focuses specifically on market consolidation. Policymakers should focus on the market realities of families, who are child care service consumers, rather than those of providers. This means that they should seek to ensure that each family can choose between multiple providers within a reasonable distance of their homes or places of work. These guidelines should also include definitions of consolidation that encompass the range of tactics that corporate providers use to control child care markets. For example, legislation that seeks to restrict the use of real estate leasebacks should name lease relationships in its definitions. Policymakers could also use these guidelines to list prohibited practices. The guidelines should also indicate what enforcement action will be applied if their provisions are violated, thereby incentivizing providers to obey these rules.

State policymakers will also need to invest in developing the institutional capacity to maintain this oversight of child care market competition. This can include developing regulation and designating oversight entities, articulating key terms, and creating review parameters and standards (Jaromin 2024). Notably, since child care regulators' responsibilities currently focus on protecting child health and safety, more regulators will have to be hired or trained with the skills to monitor child care market competition and health. Nevertheless, this regulatory oversight role exists in other care markets, which can serve as a model for child care regulators (see Case Study 3).

Corporate investors' tactics continue to evolve, and regulators must ensure that their legislation stays up to

Case Study 3: State Oversight of Health Care and Hospital Markets

In a number of states, regulators play an active role in overseeing and protecting health care market transparency and competition to ensure that health care services remain affordable and accessible to people from all communities.

States' mechanisms differ, but each have determined that the public benefit of a robust and fair health care sector requires supplemental state oversight in addition to federal antitrust measures (Jaromin 2024; Butler et al. 2023). Certain states have instituted increased disclosure and oversight requirements for providers, insurance carriers, and other health care entities. These requirements include notice of expected transactions; review of potential transactions; approval of potential transactions; and monitoring to ensure compliance (NASHP 2024). Some states have also implemented Certificates of Need (CON) requiring businesses to get state approval before they take certain actions, such as opening or expanding a facility. The more comprehensive the CON in breadth and depth, the more oversight the state has into the health care market (NASHP 2024). As of 2025, 28 states and DC have enacted or proposed CON laws (NASHP 2025).

As of 2023, 33 states and DC have instituted measures to prohibit consolidation and put guardrails on competition. Oregon, for example, has among the strongest laws in the country regulating hospital and health care markets. The law details the methodology for how the Oregon Health Authority should evaluate the impact of proposed sales or acquisitions on people's access to healthcare, and the conditions under which they should approve or block these transactions. The law also requires regulators to monitor facilities for five years after a deal has been approved, and to conduct regular studies on the effects of health care consolidation on quality and other metrics across the state (Goldstein and Agarwal 2025). The National Academy for State Health Policy has released model legislation for increasing state government oversight over health care mergers, noting that these laws are strongest when they include definitions that reflect current market realities and covers the evolving strategies in the health care market, such as real estate sale-leasebacks (NASHP 2024).

date with their current practices. An important means for regulators to enforce and update these guidelines is remaining on constant communication with other child care stakeholders. Child care regulators should organize listening sessions, state surveys, and cross-market analyses to ensure they stay abreast of shifting dynamics in their state. This type of active engagement with stakeholders will allow states to stay ahead of corporate incursions into their communities.

B. RESTRICTING CORPORATE CONSOLIDATION

Child care is a fragmented industry, which makes it an appealing target for private equity funds who want to create profits through consolidation. Private equity investors in fragmented markets generate profits by buying up and merging a series of small companies and then selling the consolidated company to a “strategic buyer”—often another chain—for more than what they paid to acquire the sum of its parts. This has been one of the features driving private equity acquisitions of health care providers, including local physician practices (Appelbaum and Batt 2020).

The child care industry is particularly vulnerable to consolidation given the longstanding structural problems facing the industry, which are driving small providers to exit. The economic challenges facing child care providers are not new, but providers have experienced even more strain in recent years due to the pandemic and subsequent expiration of emergency support to the sector, as well as more recent attacks on federal funding for state and local child care programs. Under these conditions, a growing number of providers risk deciding that they cannot continue to run a child care business. These providers may find private equity offers appealing, either believing that a sale can put their business on more solid footing, or will be the quickest means of exiting the sector altogether.

This consolidation under corporate owners threatens the vision of child care as a public good. Acquisitions are a means by which existing providers that are grounded in the needs of their community get converted into businesses that prioritize profits over other goals. Furthermore, once corporate chains become the dominant provider of a community, they can use monopolistic tactics to increase their profits. Many of the greatest risks from private equity and other corporate providers emerge once families do not have alternative providers that they can turn to—including lowering child care job and service quality or raising prices on families.

BLOCKING ACQUISITIONS

State governments can use state merger laws to block acquisitions that threaten the competitiveness of a local child care market. State enforcers are capacity-constrained and cannot prevent all roll-up acquisitions, but they are empowered to intervene when a chain gets so big that it threatens the competitiveness or structure of local markets (see Case Study 4). These laws often use the same language as federal merger laws or instruct state courts to consult federal law for guidance in applying state law.⁵

Although state enforcers have less frequently invoked this power than their federal counterparts, they are much better positioned than federal authorities to respond to threats from roll-ups in child care markets. Each child care provider acquired as part of a roll-up strategy is usually so small that the acquisition only marginally increases a chain’s market share; it is the cumulative effect of a series of acquisitions that causes concern. Given the small size and hyper-local nature of these acquisitions, they risk falling outside the notice, even jurisdiction, of federal authorities. State enforcers are thus better placed to both spot and respond to the risks of an ongoing roll-up to a local child care market.

The biggest barrier to antitrust enforcement at every level of roll-ups is a lack of information. Federal law only requires a company to notify regulators of proposed mergers and acquisitions if the value of the transaction (and in limited cases the size of the parties) exceeds a given threshold (\$126.4 million as of 2025). Some states are introducing new pre-merger notification requirements under which companies must notify them, alongside federal regulators, if they have a “local nexus” in the state, or if a given share of the value of the merger comes from within their border (Paul et al. 2025; Davis Polk 2025). These laws can also include provisions to increase information sharing between states. As they experiment with new ways of gathering information about acquisitions, states should avoid emulating Certificates of Public Advantage, which replace Federal Trade Commission (FTC) review of consolidation with state authorization, but have not yet proved effective in improving market outcomes (FTC 2022). Instead, states can build on federal regulation by using other projection-oriented regulatory frameworks—which set disclosure thresholds based on projected increases in income, for example—as models (Latham & Watkins 2024).

The problem remains that the majority of acquisitions in child care markets are too small to necessitate disclosures to either federal or state authorities. Even when large companies pursue roll-up tactics, they rarely disclose each acquisition they make of individual providers. In these cases, states can leverage other tools to ensure they stay abreast of market movements, including by gathering information through town halls, traveling listening sessions, and statewide surveys. By focusing on the potential impact of consolidation, state enforcers can assess which market actions they should focus on beyond acquisitions. This is all the more important given that they only have a short window of time between the announcement of a merger and when it is actualized in which they need to become aware of the deal and its potential threats to competition.

A lack of formal disclosures does not prevent enforcers from preemptively blocking otherwise undisclosed mergers.

By combining formal and informal information gathering mechanisms, regulators will be aware of the deals that pose potential threats to competition, and will be better able to act in the short window of time between when a merger is announced and actualized. This underscores the importance of state regulators increasing transparency and oversight in child care markets, especially concerning providers' ownership and acquisitions (see [Section II.A](#)). Regulators should be able to identify roll-ups as they are taking place, and to intervene to restrict this consolidation once it begins to threaten local market competition and families' ability to access diverse providers. By limiting opportunities to sell to larger chains, these rules would increase the incentive for small child care enterprise owners who want to exit the market to look for alternative buyers (see [Section II.D](#)).

Case Study 4: Kroger and Albertsons Merger

States across the country are working to revamp their commitment to competitive markets by blocking major mergers and enacting pre-merger notification requirements.

In 2024, Washington, Colorado and the FTC each sued to stop the merger of Kroger and Albertsons, two of the biggest grocery chains in the country (Office of the Colorado Attorney General 2024a). Notably, both states used state law provisions in their lawsuits, while the FTC relied on federal law. Kroger and Albertsons together have almost 5,000 stores, 700,000 employees, and a presence in 48 states; their \$24.6 billion merger would have been the largest in U.S. grocery history (Selyukh 2024). Moreover, Kroger and Albertsons are “head-to-head” competitors for customers, products, employees, and prices. Courts ruled for the government in both the Washington state and FTC cases in December 2024, and the companies dropped their merger plans shortly thereafter.

This case shows how states are well positioned to recognize and respond to the local impact of mergers in their jurisdiction. Washington led the charge because Kroger and Albertsons together operate over 300 stores in the state and are the predominant grocery suppliers. The Washington Attorney General argued that the consolidation of such major market players would create a “mega-monopoly”

that would push prices up for consumers and threaten jobs for workers in the state (Office of the Washington Attorney General 2024). Similarly, the Colorado Attorney General conducted town halls and a survey to hear from consumers, workers, and suppliers across the state that feared that the merger would lead to “stores closing, higher prices, fewer jobs, worse customer service, and less resilient supply chains.” Even the FTC challenge focused on local impacts, such as the consequences for union labor on negotiating and striking capacity (FTC 2024).

The success of this case has spurred both Colorado and Washington to introduce state premerger notification laws, thereby strengthening their merger enforcement capabilities. The “main purpose” of these laws is to get state enforcement actors involved in market-changing acquisitions that have a “local nexus,” even where the proposed merger would have already prompted federal review (Paul et al. 2025). Such notification laws may require companies to focus on the potential impact of their proposed deals, and any information they share with one state can be shared among other states to streamline and bolster effective enforcement. A number of state legislatures are considering implementing similar premerger notification laws (Uniform Law Commission 2026).

LICENSING OR FUNDING CAPS

Regulators may also consider restricting the share of licenses or public funding that can go to any one child care provider.

Massachusetts, for example, has placed a cap on the share of public funding that can go to any child care chain (see [Section I.B](#)). Similarly, many local governments have responded to the recognized harms of dollar stores on local businesses by restricting the number of dollar stores that can operate within their community, or by imposing “dispersal” measures that impose a minimum distance between these businesses (Mitchell et al. 2023). These types of restrictions allow regulators to set a clear, impartial ceiling on how much of the state market any company can control, saving them from having to continuously track acquisitions to determine market consolidation risks.

These types of licensing or funding caps restructure market incentives in ways that support greater provider diversity and restrict the primary strategies that corporate providers use to dominate markets. Private equity and other corporate investors would have less of an incentive to roll-up existing providers. Entrepreneurs would have a greater incentive to start new enterprises rather than becoming franchisees. Employers would be more likely to structure their child care benefits so that the employees receiving these benefits can choose from a wider range of providers.

C. FAIR MARKET ENFORCEMENT

Beyond rolling up smaller providers, corporate providers can use their market power—gained through their size or access to debt and other financial resources—to gain an unfair advantage over local competitors.

Notably, private equity funds can facilitate coordination across their portfolio companies, requiring that the companies buy exclusively from other companies in their portfolio (Ballou 2023). This vertical integration creates market dynamics that harm competing providers and suppliers. This integration allows private equity funds’ portfolio companies to gain either a guaranteed source of demand for their services, or to receive favorable deals from a supplier. Independent providers, meanwhile, will have to compete without these advantages.

One particular concern for the child care industry is the risk of corporate investment in the private companies that state governments contract to oversee their QRIS programs. Depending on the state, these private contractors can be responsible for identifying the metrics that will be used for QRIS and for inspecting and scoring providers according to these metrics—effectively acting as gatekeepers for whichever benefits providers receive from higher QRIS scores (e.g. higher trust among parents, or even higher reimbursement rates from the state). Private equity funds or other corporate entities do not need to have bought QRIS companies outright for them to be able to build relationships with them or their owners; there is currently little transparency about these contractors that could help identify potential conflicts of interest.

COMPETITION ENFORCEMENT

It is illegal for companies to use their power in a given market, or to collude with other companies, to reduce competition or otherwise harm stakeholders in that market. As with merger enforcement (see [Section II.B](#)), **state competition laws empower state authorities to enforce these rules in local markets.** State enforcers can therefore initiate lawsuits under state antitrust laws that target the monopolization of markets, unfair price discrimination, and exclusive deals. As an example of what law enforcement of this behavior could look like, the Colorado attorney general sued a private equity-backed anesthesiology chain for creating a monopoly in two local markets (see Case Study 5). Companies found liable for this behavior can be forced to pay a fine and/or spin-out or sell-off their subsidiaries in a given market.

In order to act, state competition enforcers need to identify evidence that a provider’s behavior has caused harm. This underscores the importance of state regulators increasing transparency and oversight in child care markets, especially concerning providers’ business operations like the tuition or fees they charge families, their wage and benefit levels for workers, or other service quality metrics (see [Section II.A](#)). Child care regulators that have been properly trained in overseeing child care market competition can pass on evidence of harm to state competition regulators for them to bring a case.

Child care stakeholders can assist competition enforcers by alerting them to any negative impacts that corporate providers may be causing as they expand. To be the most effective, advocates should try to bring regulators as much of the evidence as they will need to make the case against a company’s behavior, including details about which company should be the target of an investigation, and specifics about the negative impact they have had on local markets (e.g. higher prices, lower wages). Individuals, grassroots organizations, and other activists can work with private plaintiffs or nonprofits to bring evidence of harmful behavior to their state attorneys general.

RESTRICTING SALES

Child care enterprises acquired by a private equity fund risk being repeatedly sold to new buyers. Since most private equity funds are only active for ten years, they only own their portfolio companies for about three to five years before they have to sell them to pay back their investors. Increasingly, private equity funds sell their portfolio companies to other private equity funds in transactions known as secondary buyouts. Otherwise, they often sell to other corporate buyers

who are willing to pay a higher price to increase their market share in a given community.

The process of being acquired by new corporate owners every few years weakens providers and undermines the quality of their services. Six of the top 10 child care providers in the U.S. are on their second set of private equity owners, with Cadence Education notably sold two times since its initial private acquisition in 2007. Each time that a company is bought out in this way—especially if repeatedly sold to private equity-backed companies—they usually take on new debt and have to undergo management and operational changes, increasing the instability within their programs. This creates more churn within the company, along with increased uncertainty about job stability, that leads to more staff turnover and risks deteriorating the quality of its services. As the company is stripped of more of its assets, and its value falls, it is harder for its owner to find a viable buyer—other than, perhaps, another private equity fund. For an industry where quality is dependent on stability, these repeated changes in ownership should be considered threats to service quality.

Case Study 5: Colorado v. U.S. Anesthesia Partners

In an excellent example of state enforcement of competition laws, Colorado’s Attorney General Phil Weiser investigated and secured a major settlement with the private equity-backed U.S. Anesthesia Partners, Inc. (USAP) for the company’s flagrant antitrust violations in the state. Colorado alleged that USAP had used an illegal acquisition strategy in the Denver Metro Area anesthesia market to become the “dominant provider” in that space. USAP gained unfair control of the Denver market by, among other tactics, insisting on exclusive contracts that allowed it to maintain and increase its own reimbursement rates. They also imposed non-compete bans on their employees so that they could not work for other providers, thereby reducing any competition from lower cost or higher quality providers (Office of the Colorado Attorney General 2024b). By 2021, USAP controlled the two largest hospital systems in Denver, and had “eliminated” other groups that were at “sufficient size and scale to compete” (Office of the Colorado Attorney General 2024b).

This anticompetitive strategy was both illegal and enormously harmful for providers and patients. For example, the state claimed that, by 2021, USAP was charging rates up to 40 percent higher than any independent group, and that USAP prevented hospitals from increasing staffing levels to meet growing demand (Office of the Colorado Attorney General 2024b). The net effect—indeed the “predictable (and intended) effect”—was that by the time USAP had taken over the market, services from the same providers cost patients and hospitals significantly more than before USAP entered the picture (Maddox 2025). Following the Attorney General’s suit, USAP agreed to divest exclusive contracts at multiple hospitals across the state, release or modify its prohibitive non-compete agreements, and pay the state \$200,000 in monetary damages (Office of the Colorado Attorney General 2024c). The FTC also sued USAP, who was found liable for having used similar tactics to corner the anesthesiology market in Texas (*FTC v. U.S. Anesthesia Partners, Inc.* 2023).

Policymakers who are concerned about these types of repeated sales can restrict the frequency with which child care providers can be bought and sold. For example, in response to allegations of widespread fraud in its rapidly expanding for-profit hospice industry, California introduced legislation that, among other provisions, prohibits hospice care providers from changing ownership within the first five years of receiving a license, mitigating the harms from private equity roll-ups (Appelbaum et al. 2023). Since child care policymakers will want to encourage the entry of many new entrepreneurs into the sector, restrictions on the speed of providers' sale can help sift out the types of entrepreneurs or investors who are not interested in building businesses that could provide quality care in the long term.

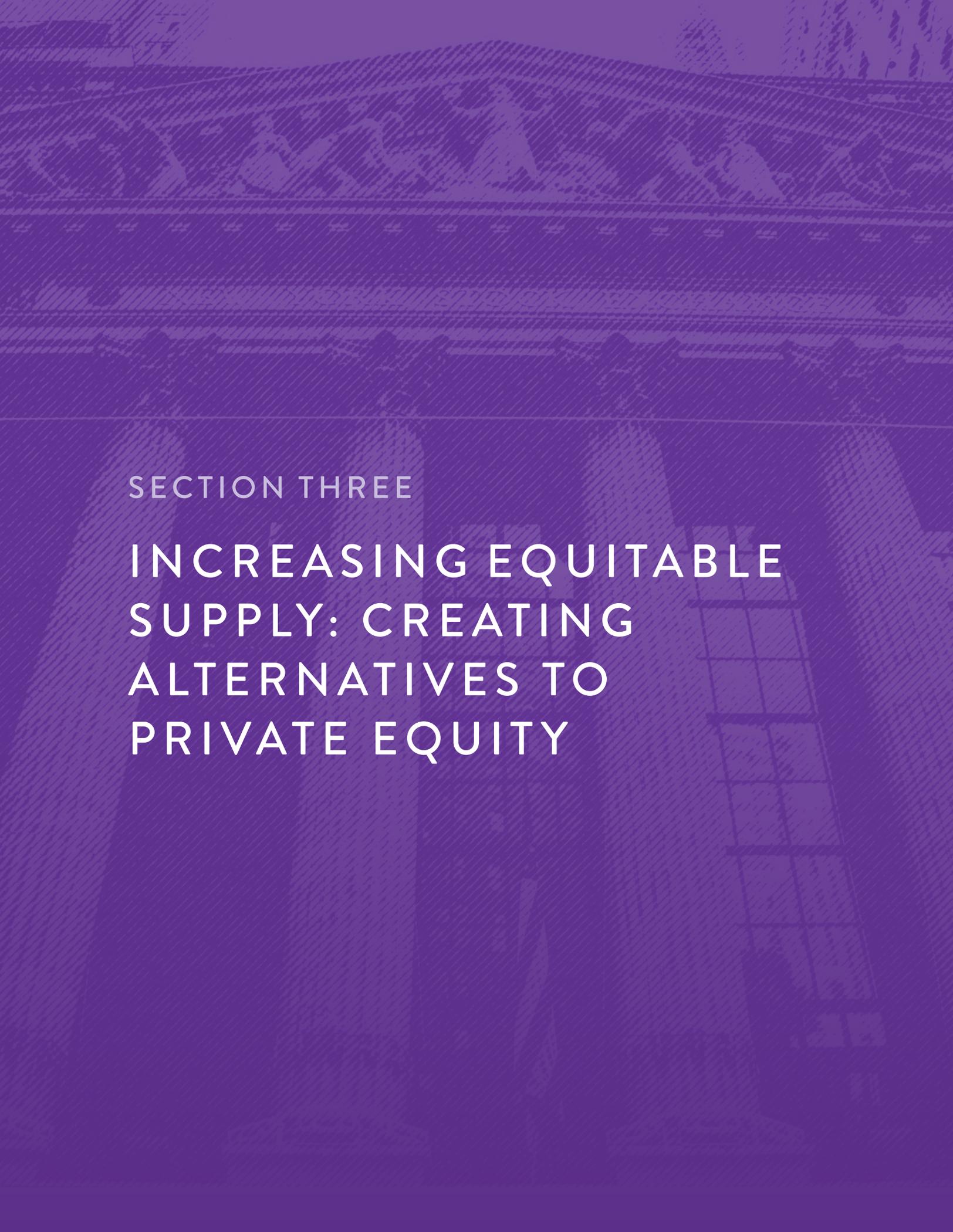
D. SUPPORT ALTERNATIVE BUYERS

The owners of small, non-corporate child care programs routinely need to sell these businesses—such as when they wish to exit or retire from the industry—and corporate investors are often the only available buyers. Few other stakeholders have the financial resources or access to debt to make such an acquisition. Furthermore, both strategic buyers and private equity firms can be willing to pay a premium to acquire a company that expands their local market power.

Acquisition by a private equity fund can also place providers on a one-way track for long-term corporate control. From the perspective of private equity funds, the purpose of rolling up small providers is to create an entity that will interest larger buyers—in other words, being the first step in consolidating the industry into larger chains. Even growth equity funds who are more committed to generating value for local communities will be looking to sell to the highest bidder. Although small business owners who sell their enterprises to private equity-backed companies may continue to work as caregivers or managers, they will lose any control over who the subsequent buyer of their business will be (Batt et al. 2023).

Policymakers should cooperate with other child care stakeholders to experiment with ways to create off-ramps from corporate ownership for private equity-backed providers. The purpose of these measures would be to allow private equity, growth equity, and other investment funds to inject financial resources and market expertise into the child care industry—either creating new supply or getting struggling enterprises back on their feet—without this jeopardizing the vision goal of maintaining diverse provider-types and keeping the gains from the child care industry flowing to local communities. All of this, of course, would be conditional on the introduction of the guardrails and additional funding discussed throughout this report that will ensure that corporate providers contribute to the vision throughout their ownership of child care programs.

The core element of any strategy to limit sales to corporate providers, or to create off-ramps for corporate programs, would require identifying and robustly funding alternative, non-corporate buyers of private equity portfolio companies—mirroring the tactics policymakers might introduce to prevent private equity from buying small providers in the first place (see Section II.B). Policymakers could, for example, provide forgivable or low-interest loans to local entrepreneurs, workers interested in forming worker-owned co-ops, or even local governments, community organizations, or nonprofits who could take over the enterprise. Public pension funds could also be encouraged to provide part of this funding—for example by investing in Community Development Finance Institutions as opposed to private equity funds—as a means of ensuring that their money is being used in ways that directly contribute to the communities of the workers and retirees they serve.



SECTION THREE

INCREASING EQUITABLE
SUPPLY: CREATING
ALTERNATIVES TO
PRIVATE EQUITY

III. INCREASING EQUITABLE SUPPLY: CREATING ALTERNATIVES TO PRIVATE EQUITY

Among the greatest challenges to achieving the vision for child care as a public good is that of increasing child care supply in a way that creates opportunities for diverse types of providers to thrive in this industry. Over half of the population in the U.S. lives in areas that have either no or insufficient available licensed care—with the problem particularly acute in low-income and rural communities (Treasury 2021). The leading cause of this child care shortage is the growing divide between providers’ operating costs and families’ ability to pay for care—a divide that makes it impossible for many providers to earn enough income from working in their communities to keep their doors open (Stienon and Boteach 2024). Without urgent policy reform to address this market failure, child care risks becoming an industry that shuts out both lower-paying families and community-minded providers.

Corporate providers’ high growth rates and profits are not indications that these companies are the solution to the child care supply problem—rather, their tactics risk undermining public progress towards the vision of universal and affordable care. Corporate providers’ growth is more likely to be the result of acquisitions of existing providers, rather than the creation of new supply. Their debt-driven rapid growth model has repeatedly driven chains into bankruptcy, resulting in sudden closures of programs that were essential to their local communities (Sainsbury 2008; Simon et al. 2022; Greene 2025). Another concern is that, given corporate providers’ preference for serving higher-income communities, roll-up tactics allow investors to redistribute the assets of their new acquisitions towards programs serving communities that can pay the full cost of care—thereby potentially offsetting the benefits of any new centers they create in higher-paying communities with closures elsewhere (Haspel and Russo 2023; Batt et al. 2023). Furthermore, their entry into local communities risks depriving smaller providers of skilled caregivers or higher-paying clients, thereby pushing smaller providers out of business and limiting the diversity of local child care supply (Stienon and Boteach 2024).

Building the supply of affordable, high-quality child care across all communities requires first fixing the underlying market problems in the industry, and second ensuring

that all types of providers have access to the resources they need to compete and operate in these markets. This is particularly important for achieving any type of just transition that ensures that the women of color who make up the majority of child care program owners and workers who have devoted their careers to this industry share in the gains from any future growth in the sector (Bilik et al. 2025). Furthermore, by providing equitable opportunities to non-corporate stakeholders, policymakers can reduce communities’ dependence on corporate child care investors and providers. Child care enterprise owners should not have to depend on corporate investors to fund critical renovations to their facilities, or to buy out their businesses when they need to retire, while families and workers should not have to depend on corporate programs for care or jobs.

Corporate providers nevertheless have several structural advantages over smaller providers due to their size and access to financial resources that are helping them corner the profitable pockets of existing markets, ensuring that they will be able to dominate the industry when market conditions improve.

State and local policymakers and other stakeholders must therefore find ways to support non-corporate providers, providing them with the financial and technical resources they need to compete with corporate providers and offer diverse care options to local families. Financial resources can come from the public sector, alternative funders, employers, and even stakeholders like workers, while providers and state and local governments can look to different methods of cooperation to help them gain the benefits of economies of scale while maintaining their independence. Meanwhile, state and local governments should consider how they can expand their role in child care markets by making different resources and services available to other stakeholders.

A. ACCESS TO CAPITAL

Corporate child care providers have a market advantage given their ability to access large amounts of financial capital, especially by taking on more debt. Debt financing remains

risky and largely inaccessible for non-corporate providers given their low margins and the fact that one-time debt-funded investments in facilities or staffing often have only a marginal impact on providers' revenues and ability to repay their loans. Although non-corporate providers are more likely to use debt to fund investments that advance the vision goals—such as start-up costs for a new enterprise, or investments in facilities, supplies, or workforce training—they do not have the positive cash flow to be able to pay off this debt, and thus do not qualify for many existing loans. Corporate providers, on the other hand, are more likely to use debt to acquire new companies, and are able to access credit on the promise of growth through acquisitions, even though their use of debt threatens the business model of the companies they acquire as well as the stability of child care markets as a whole (Stienon and Boteach 2024).

Enterprise owners who sell their businesses to corporate chains may hope that their new parent company will devote more resources towards making the long-term investments in facilities, supplies, and the workforce that they cannot make independently. This misperception that corporate ownership offers greater financial stability persists, in large part because private equity funds perpetuate it to justify their participation in child care markets. Nevertheless, neither the private equity nor franchise business model encourages investments in acquired local providers, and most corporate debt goes towards acquisitions rather than long-term investments (Stienon and Boteach 2024). Furthermore, even if the first private equity fund that a child care enterprise owner sells to fulfills its promises to support the long-term health of their programs, the same may not be true of whichever entity these programs are sold to once the first fund exits the market (Batt et al. 2023). Former enterprise owners who continue to work at these programs as administrators will have no say in the conditions of any secondary sale, or the management practices that subsequent owners will impose (Batt et al. 2023).

It is therefore essential that state and local stakeholders work to provide small providers with alternative sources of capital in order to reduce their dependence on private equity and acquisitions by corporate chains. Increased access to capital and revenues from non-corporate sources can help stabilize providers' incomes and allow them to make long-term

investments in their own operations. Furthermore, if this funding is large enough to provide providers with a positive cash flow, they will be better able to qualify for loans, including those available through Small Business Administration (SBA) programs, and thus make their own investments in improving their program quality (Stienon and Boteach 2024).

State and local policies and programs can help child care providers access funding from a number of sources, including the public sector, community development investment funds, small business investment funds, local employers, and other stakeholders in child care markets. This diversity in funding sources is also important for helping child care providers access different types of capital, including grants, forgivable loans, or loans with favorable terms.

INCREASE PUBLIC FUNDING

It will be impossible to solve the child care crisis and to achieve the vision of child care as a public good without public funding. High-quality child care is an inherently labor-intensive service, and the per-child operating costs that providers face is far more than the majority of U.S. families can afford to pay out of pocket (Weber et al. 2026). In 2024, a family would have needed an annual income of at least \$187,000 (among the top ten percent of incomes) in order to consider the \$13,128 average national price of child care affordable without subsidies (CCAoA 2025); in many markets, these figures are even higher, and the process of raising job and care quality will require increasing these costs even more. This mismatch between providers' operating costs and families' ability to pay is the primary driver of problems facing child care markets, from shortages in low- and medium-income communities, to the low wages, constant turnover, worker shortages, and, ultimately, to the widespread closures of child care programs across the country.

Given the pervasive scale of this challenge, government is the only source of funding capable of closing this gap, thereby supplying the revenues that child care providers need to keep their doors open and compete with corporate chains. The public sector is a significant funder of formal child care arrangements, especially through federally funded programs like the CCDF⁶ and Head Start. CCDF money is distributed

6 CCDF is funded through the Congressionally appropriated Child Care and Development Block Grants (CCDBG).

as block grants to states, which then use it to cover the full or partial costs of families' preferred providers and to invest in the programs' quality; Head Start provides grants to public agencies, private providers, and local and tribal governments to operate local early care and education programs. Nevertheless, funding from these programs is largely insufficient to either expand access to care for all the families for whom it is unaffordable, or to cover the true operating costs of the providers that serve families receiving subsidies. In 2021, only 15 percent of the children eligible for CCDF subsidies received assistance through this or other related federal programs (Chien 2024). In 2024, only eight states had set base payment rates at the 75th percentile of local market rates (Schulman 2025). Although federal leadership and investment is essential to truly solve the child care crisis, the federal government has yet to provide a sustained increase in child care funding.

Absent any increase in federal support for child care, state and local governments are taking the lead to increase public funding to child care providers. Most notably, New Mexico created a permanent endowment funding child care using revenues from oil and gas development on public lands (see Case Study 6). Meanwhile, Vermont's 2023 Act 76 expanded public child care spending while dramatically expanding families' eligibility for subsidies. Several other states across the political spectrum have taken smaller but notable steps to invest in child care (Weber et al. 2026). State and local governments have also been instrumental in keeping care programs open as budget cuts, government shutdowns, and the targeted freezing of certain states' funds have eroded the reliability of federal money (Hardy and Hassanein 2025; Kim 2026).

In addition to financing child care providers' operating expenses, state and local governments can develop programs that help providers make investments that advance the vision of child care as a public good. To start, state and local governments can create grant or forgivable loan programs for child care providers who use these funds in ways that advance the vision, such as by upgrading or repairing facilities, funding teacher trainings, or even starting up new child care enterprises. State and local governments can also work through existing programs, as the Small Business Association (SBA) has done when providing funding and technical resources to child care providers through its Women's Business Center program (White House 2024). States should ensure that these public resources reach a diverse array of providers, including home-based providers (Miller and Schulman 2022).

State and local governments must nevertheless ensure that this funding is structured in ways that prevent this money from being used to maximize profits rather than advance the vision of child care as a public good. Although public funding that increases child care businesses' profitability would move the U.S. closer to achieving the vision for child care, it would also create market conditions that, all else being equal, would attract more private equity funds and other profit-maximizing actors into this industry. Strong guardrails (see [Section I](#)) and protections of fair markets (see [Section II](#)) are necessary to help policymakers strike the correct balance between the need to increase child care businesses' profitability to stabilize child care markets and the need to limit opportunities for outright profiteering. The value that private companies take out of this industry in the form of profits cannot be allowed to exceed the value that they create for families, workers, and communities.

Case Study 6: New Mexico & Child Care Trust Funds

After years of advocacy and strategic initiatives, in 2025, New Mexico became the first state in the country to guarantee no-cost universal child care to all families (Office of Governor Michelle Lujan Grisham 2025). This achievement is a major political victory for Governor Michelle Lujan Grisham, who named child care as her top priority in 2020 (Office of Governor Michelle Lujan Grisham 2020).

A central component of the strategy to provide universal child care was increasing the state's funding for this service. In 2019, the state established the Early Childhood Education and Care Department (ECECD), consolidating public oversight of early childhood programs into a single cabinet-level agency (Boyd 2019; Groginsky 2020). The following year, the state created the Early Childhood Education and Care Fund, a trust fund designed to supplement state appropriations to the ECECD and federal child care programs (Office of Governor Michelle Lujan Grisham 2020). This “trust fund” framing helped Governor Lujan Grisham garner bipartisan support for a universal child care policy (Cohen Booth 2025). In 2022, 70 percent of New Mexico voters supported a ballot measure creating a permanent endowment drawing on the Land Grant Permanent Fund, which collects state revenues from oil and gas developments on public land, to finance the Early Childhood Education and Care Fund (Covert 2022; Mitchell 2025). The New Mexico legislature will have to appropriate funds after the 2026 fiscal year to continue this initiative.

To meet its growing demand for care, the state is using this funding to increase the supply of child care by increasing the economic opportunities in this industry. The first challenge is to attract more workers into the child care industry, since the state has estimated that they need an additional 5,000 people to enter the sector. To do this, the state is trying to ensure that public funding to providers covers the true cost of care, inclusive of a pay raise for child care workers. Providers that commit

to paying their entry-level staff a higher minimum wage of \$18 per hour, while offering 10 hours of care per day, five days a week, will receive higher incentive payments (Office of Governor Michelle Lujan Grisham 2025). The state also launched a statewide campaign to recruit licensed and registered home-based providers. A second challenge is ensuring that providers have adequate facilities to provide this care. To this end, the state has established a \$12.7 million low-interest loan fund to build and renovate child care facilities in 2026 (Office of Governor Michelle Lujan Grisham 2025). Notably, this loan fund allows the state to support providers' investments in facilities without conflicting with the state constitutional prohibition on the use of public funds to support capital investments in private businesses.

Even as they celebrate the expanded trust fund and pledge for universal care access, advocates in New Mexico are continuing to work to strengthen guardrails around this funding to ensure that it is not wasted by profit-maximizing providers.

New Mexico's Child Care Trust Fund is proving to be a model for other states. Of course, few other states have the same access to natural resource revenues as New Mexico, but many policymakers are looking to other dedicated revenue sources to fund child care (Mitchell 2025; Cohen Booth 2025). Connecticut, for example, has used the framework of a permanent endowment to allocate greater funds to providers, limit family co-payments, and increase investment in child care facilities (Office of Governor Ned Lamont 2025). Similarly, the Vermont legislature provided permanent funding for child care through a payroll tax, and is working to ensure that their compensation rates rise to better cover providers' true costs, while Washington has funded a trust for child care using new capital gains and estate taxes (Hirschfeld 2023; Villeneuve 2025). So far, at least 11 states have directed dedicated sources of public funding to child care to supplement federal revenues (Cohen Booth 2025).

INCREASE ALTERNATIVE FINANCING

State and local policymakers can supplement public funding by helping child care providers access alternative financing sources to corporate investors. This is particularly important to finance programs' investments in their facilities or other one-time quality upgrades, for which public funding is not always available. These alternative sources of financing can also be critical to helping entrepreneurs open new child care programs.

Community Development Financial Institutions (CDFIs) are an important form of alternative financing and support that advocates, child care providers, and policymakers can work with to bolster child care markets. CDFIs are private or nonprofit lenders—banks, credit unions, loan funds, and venture capital funds—that bring together multiple sources of funding, including from local governments, and help distribute this capital to communities that are under-served by the traditional financial system (Opportunity Finance Network 2024). Many CDFIs target specific industries or regions; those that are mission-driven around supporting a given community, or which focus on providing equity funding to small businesses could be of interest to child care providers.

In addition to increasing access to alternative sources of capital, CDFIs are potential partners for state and local governments to work with to support child care providers. For example, in 2021, the California Department of Social Services partnered with the Low Income Investment Fund (LIIF) to distribute \$350 million through its Child Care and Development Infrastructure Grant Program, which helped over 3,700 small child care businesses invest in repairing or upgrading their program facilities (LIIF Early Care Team 2024b). LIIF has also partnered with three advocacy organizations—All Our Kin, ParentChild+, and Ramapo for Children—to create Family Child C.A.R.E. NYC, a free technical assistance online portal for local child care providers (LIIF Early Care Team 2024a; Family Child C.A.R.E. NYC 2023). Beyond the direct benefits of supporting child care providers, these types of CDFI investments and programs help demonstrate the socio-economic benefits to communities that support their child care providers, thus helping advocates make

the case for increased public funding for this service.

Small Business Investment Companies (SBICs), which administer Small Business Association (SBA) loans, are another alternative to private equity as a source of financial capital for small businesses. Rather than invest in businesses directly, the SBA licenses and contributes funding to private SBICs alongside other private investors; SBICs then invests in small businesses through combinations of debt and equity (Small Business Administration 2024). SBA loans are structured to offer long amortization without balloon payments, allowing small businesses to finance their capital needs over multiple years without facing a deadline by which they have to repay the loan or face a surge in costs.

Since SBICs are cash-flow lenders, a business's eligibility⁷ for an SBA loan is based on its ability to repay that debt through its regular revenues as opposed to the ownership of assets that it can present as collateral. This will benefit child care providers, many of whom do not have significant capital or real estate assets to use as collateral. However, the SBA's focus on cash flow, once considered against the thin margins that currently characterize the sector, underscores the importance of public funding as a prerequisite for supporting child care providers in the long term.

7 Providers are no longer eligible for SBA loans once they are acquired by a larger chain—however, franchisees remain eligible for this funding since they are technically independent businesses. In assessing franchisee suitability for SBA loans, the loan providers will review these programs' operating agreement with the franchisor, and will look for any signs that this agreement includes any language that is overly restrictive or prevents the franchisee from operating a profitable enterprise. Of course, franchisors are familiar with SBA rules, and draft these contracts in ways that allow their franchisees to remain eligible for this funding. Thus, the SBA effectively subsidizes the franchise business model.

REFORM EMPLOYER-SPONSORED CARE

A small minority of employers (largely of white-collar professions) fund child care as a form of benefit to their employees (Rivera 2025). These benefits can include subsidizing families to help pay for the provider of their choice, partnering with a provider to guarantee subsidized spots to families, or contracting with a provider to provide child care on-site for employees. The type of benefit offered is often a function of the size of the employer, with large companies better able to absorb the cost of on-site delivery.⁸

Although employer funding is often depicted as an alternative source of financing for the child care industry—an argument that justifies public incentives to employers—this funding model risks favoring corporate child care providers to the detriment of local programs (Stienon and Boteach 2024).

Employer-sponsored contracts with providers are structured in ways that are extremely attractive to private equity. In particular, employer contracts with providers who manage on- and off-site facilities offer large, flat-fee payments that guarantee regular income that can exceed their operating costs. These types of contracts are perfect targets for private equity funds since they allow their portfolio companies to make regular debt payments and to pay regular fees and dividends to their owners and shareholders. In addition, in many arrangements where employers contract with providers like Bright Horizons to run an on-site facility, it is usually the employer, not the provider, who pays for the rent and upkeep of the facility—significantly lowering the providers' cost of care, and allowing them to pocket these savings as profits. In an industry where profit margins average 1 percent, Bright Horizons (2023) reported earning profit margins of between 15 to 25 percent from operating child care programs for employer clients.

Employers are more likely to contract with corporate child care providers than with local programs or home-based providers (Haspel 2024b). Corporate providers are particularly appealing to large employers that operate in multiple locations, since these employers can more easily offer standardized benefits to their employees. This allows employers to offer child care benefits without having to build relationships with

local providers in every community in which they operate.

In many communities, employer-sponsored programs risk diverting existing resources away from local programs as opposed to contributing to an expansion of supply. Since the types of employees who receive child care benefits are more likely to be higher-income workers, employer-sponsored programs risk diverting higher-paying families away from local providers, thus undermining their revenues. Similarly, given the tight labor child care market, these employer-sponsored programs are likely pulling workers from smaller, local programs, depriving them of staff (Haspel 2024a). If corporate providers are more likely to receive employer-sponsored contracts, then they are more likely to benefit from this system even as it weakens their local competitors.

The strategic entry of corporate child care providers into this employer-sponsored market may therefore artificially tilt the playing field towards corporate providers, allowing them to profit from the higher rates that employers are willing to pay while depriving local competitors of funding and skilled workers. Families who are employees of the companies that offer sponsored care are the beneficiaries of this system, but the other families in a community who cannot access these employer benefits lose if other local programs find themselves unable to compete.

Policymakers should consider how to introduce or reform state incentives around employer-sponsored child care to ensure employers contribute to the vision of child care as a public good. For example, incentives should encourage employers to provide financial support to employees while allowing them to send their children to the caregiver of their choosing. Some families will value the option of bringing their children to on-site care facilities, but policymakers should consider how such providers can be better integrated into the wider child care system and vision, and how employers can support their employees without making them fully dependent on benefit packages to access care. Nevertheless, state and local policymakers should be judicious in creating incentives for employer-sponsored care, especially if these incentives compete with other forms of child care assistance for public funding (Matsui 2026).

⁸ Many employers still require that employees who use their facilities pay tuition for this care. Although the employer may subsidize these rates, tuition can remain high.

Case Study 7: New York & CHIPS Act Child Care Mandate

The Biden Administration’s landmark 2022 CHIPS and Science Act, enacted to strengthen the U.S. semiconductor industry, also showcased an “unprecedented” approach towards expanding child care supply through employer-sponsored programs (Woods and Kashen 2024). As a condition for receiving public funding through CHIPS, the policy required semiconductor manufacturers seeking grants over \$150 million to provide access to high-quality child care for their facility and construction workers. This child care mandate was included in CHIPS based on concerns that child care shortages were contributing to a broader labor shortage, including in the construction and semiconductor industries (Kutz 2024); thus, boosting child care supply was defined as a key precondition for other industrial policies to succeed (CSCCE 2023).

Nevertheless, the CHIPS Act gave semiconductor companies wide leverage in determining how to meet this mandate, raising concerns that they might perpetuate systemic problems with the employer-sponsored child care model. In particular, advocates worried that semiconductor companies were precisely the type of large employer that would enter into exclusive contracts with corporate child care providers, making the latter the primary beneficiary of this policy experiment (Woods and Kashen 2024). On the flip side, another concern was that, if semiconductor companies subsidized care for their employees without contributing to new supply, they would reduce child care access to other families in the community (Woods and Kashen 2024).

State government policies have been a key determinant of the impact of this federal program on local child care markets.

New York, for example, enacted its own Green CHIPS Act just days after President Biden signed the federal policy, encouraging semiconductor companies to work closely with the state government on all aspects of the policy, including the child care mandate (NYSERDA 2022). This policy was designed so that companies that partnered with the state and demonstrated their commitment to the local economy would be more likely to receive federal CHIPS Act funding—in effect, enabling New York to not only attract

federal funding, but also ensure that it benefited a broader set of state stakeholders. The state’s Green CHIPS Act requires recipients of state funding to develop a strategy to invest in local communities and workers, including by supporting child care for their employees (Empire State Development 2022b). The state specifies that this support can include establishing on-site or near-site facilities or subsidizing employees’ child care arrangements, and encourages companies to provide additional wraparound services (Empire State Development 2022a).

As a result of this policy, semiconductor manufacturer Micron Technology—which was planning to build a new \$100 billion facility in Central New York—became an active participant in efforts to strengthen local child care markets. A few months after the Green CHIPS Act was enacted, Micron signed a Community Investment Framework detailing its commitments to local workers and communities (Office of Governor Kathy Hochul 2022). As part of this Framework, Micron and the State respectively contributed \$250 million and \$100 million to a new Green CHIPS Community Investment Fund, and appointed representatives to sit alongside other local stakeholders on the Community Advisory Committee that would determine its investment priorities (Office of Governor Kathy Hochul 2023a). Specific to child care, Micron went far beyond committing to subsidizing care and building on-site care facilities for their employees (Reinhardt 2023; Chen 2023)—the bare minimum that they needed to do to comply with the federal CHIPS program; Micron also granted \$500,000 to the YMCA of Central New York to support their work expanding child care access for underserved communities in the region, and provided funding to the Early Childhood Career Pathways Program focused on helping providers expand or create new child care programs (YMCACNY 2022; Office of Governor Kathy Hochul 2023b). Meanwhile, a senior company representative joined the Board of the Early Childhood Alliance of Onondaga County, a nonprofit representing local stakeholders working to improve local early childhood outcomes (Office of Governor Kathy Hochul 2023b).

Following this in-depth partnership with New York, Micron was awarded \$6 billion in federal CHIPS funding (Office of Senator Chuck Schumer 2024).

WORKER BUYOUTS & COOPERATIVES

When the owners of child care businesses need to sell—often because their savings, including their retirement, are tied up in the value of their business—workers can be an alternative buyer to private equity. If this succeeds, the original owner receives the value of the business in payment, and the workers become the joint owner and operators of the enterprise. This grants them greater control over their working conditions, and allows them to build equity through business ownership, thus keeping the wealth of the enterprise, limited though it may be, in the community. If owners sell to a worker cooperative or an employee stock ownership plan (ESOP), they may also benefit from Section 1042 of the U.S. tax code, which would allow them to defer their capital gains tax on the sale, so long as the proceeds are reinvested in a qualified replacement property (e.g. stocks or bonds in U.S. companies) within a specified period of time and other requirements are met (Stienon and Boteach 2024).

The biggest barrier to workers being able to buy out their employer is the challenge of raising the money they need to make this purchase. Unfortunately, whereas private equity can apply for a loan while using the value of the entity it intends to buy as collateral, workers interested in making the same purchase cannot list the business as an asset in their loan applications. Instead, lenders will usually look at workers' personal income as child care providers to assess their suitability for a loan. Unsurprisingly, child care workers' incomes are so low that they often cannot secure the funding they would need to become joint business owners (Stienon and Boteach 2024).

To support the creation of worker-owned co-ops in the child care industry, state and local policymakers would need to increase the means through which child care workers can access funding. CDFIs already act as a potential funder for this type of ownership transfer (see [Section III.A](#)). Policymakers can help increase the accessibility of public loans by ensuring that workers attempting to create a co-op are exempted from having to supply a personal income guarantee—an exemption that is often available to workers attempting to create an employee stock ownership plan.

Finally, if policymakers want to encourage worker buyouts as a private equity alternative, then they should facilitate access to information and technical assistance to support owners and workers through this process. In particular, owners need to be aware that these buyouts are an option for them, and

to have support in making succession plans well in advance of their planned retirement or sale. State and local governments should also expand the public technical assistance resources to help workers develop cooperatives and transition into their new ownership responsibilities, especially in the child care industry.

B. ECONOMIES OF SCALE

Another significant advantage of corporate ownership is that it allows programs to benefit from economies of scale, thus lowering their operating expenses. Programs that are part of the same chain can centralize and outsource business operations such as insurance management, enrollment, accounting, scheduling, market, or food delivery. This can seem particularly appealing in an industry where many small business owners are already consumed by the work of caregiving and have limited capacity for management.

In order to compete with corporate providers, non-corporate programs need to find ways to replicate these operational benefits from scale. Providers can do so by forming and joining shared-service alliances, while state and local governments can support them by providing public services and technical assistance.

SHARED-SERVICES ALLIANCES

In order to replicate these economies of scale outside of the corporate context, child care providers can join shared-service alliances, including through co-ops or other nonprofits. These alliances help their members lower their operating costs by splitting the expense of accessing services, or centralizing administrative roles (Opportunities Exchange 2021). For example, Early Learning Ventures, a Colorado-based nonprofit, helps its network of child care providers navigate licensing and compliance, and offers them tools such as online enrollment and attendance tracking. In addition to helping small providers gain economies of scale, shared-service alliances can help these providers build countervailing political power (see [Section IV.B](#)) The shared-services route towards scale may be slower than the corporate one given the challenges of organizing small businesses, but its advantage is that, unlike programs that get sold to a corporate chain, small providers that join an alliance get to remain independent, autonomous, and able to exit the partnership if they are displeased with the results. This also means that any savings that providers earn from gaining economies of scale are more likely to be reinvested in ways that advance the vision goals as opposed to being diverted to corporate profits.

Local governments and philanthropists can help shared-services alliances grow by providing seed funding to members.

Many of these types of alliances require their members to contribute initial funding in order to access the shared services—which can be challenging for child care providers

who do not have discretionary earnings to spare for this type of investment. Local governments or funders could therefore subsidize a handful of services for alliance members, or else subsidize the service hubs themselves, so that child care providers can realize the gains from cooperation without

Case Study 8: DC Tenant Opportunity to Purchase Act (TOPA)

Washington DC’s Tenant Opportunity to Purchase Act (TOPA) has been an important mechanism for empowering renters and preserving affordable housing in the nation’s capital. The District enacted TOPA in 1980 in an attempt to preserve affordable housing, limit tenant displacement, and increase tenant engagement amid concerns of increased gentrification (Sayin and Calma 2025). During the sale of a rental property, TOPA requires the owner to notify their tenants of the sale, and grants tenants the right of first refusal so that they can bid to purchase the property themselves (Tenant Opportunity to Purchase Act 1980). With its right of first refusal, TOPA goes further than many worker conversion laws that, while allowing workers to make an initial bid to buy a business, do not guarantee workers’ right to match bids from third-party buyers (Gowan 2019). When they successfully purchase the property, tenants generally share in its ownership and management through either a condo board or cooperative (Sayin and Calma 2025). Although most property sales in DC do not result in a tenant acquisition, TOPA remains an important pillar of the District’s efforts to protect renters.

As TOPA has evolved, it has served as a model for alternative forms of tenant and community engagement in the property sales process. A series of reforms to TOPA allowed tenants to transfer their purchase rights to third-party housing providers, and expanded the law to cover, not only the full sale of a property, but changes to 50 percent or more of the property’s ownership. Taken together, these reforms empower tenants to negotiate with potential buyers, bartering their purchase rights for benefits like rent concessions, property renovations, or even cash payouts (Trout et al. 2023; Sayin and Calma 2025). These negotiations are now the primary way in which TOPA is used. Although some advocates have questioned whether these negotiations are the best way

of achieving the original aims of TOPA, they remain an important model for empowering tenants relative to new owners or property investors (Sayin and Calma 2025). Furthermore, tenants’ ability to transfer their purchase rights to the third party of their choosing creates new opportunities for alternative community members, such as affordable housing property developers, to compete with corporate housing developers. In this vein, TOPA has served as a model for policies granting different stakeholders a similar right of first refusal based on their alignment with the public interest—such as the District Opportunity to Purchase Act (DOPA), which offers the District government the right to purchase rental properties if at least a quarter of their units are “affordable,” or Community Opportunity to Purchase Acts (COPAs) that grant this right to qualified nonprofits (DC Department of Housing and Community Development, n.d.; New York City Council 2025).

TOPA also offers important lessons about the challenges of implementing an equitable ownership-transfer policy. First, TOPA relies on outside support from tenant organizers, attorneys, and other community organizations that can provide technical support to tenants as they organize and navigate the acquisition process (Trout et al. 2023). Second, recent studies of TOPA have concluded that tenant purchases have become rarer in part due to the growing scarcity of lenders willing to fund tenant purchases. The District’s Housing Preservation Fund offers short-term loans that can help tenants make the initial acquisition, but banks have become less willing to offer the long-term funding to sustain tenants’ mortgage (Trout et al. 2023; Sayin and Calma 2025). The success of this policy therefore rests on the government ensuring that sufficient technical and financial resources exist for tenants and community stakeholders to be able to take advantage of their purchase rights.

having to risk an initial down payment, and can build trust in the shared entity. These entities would also become a lot more viable if public funding increases enough for providers to reliably generate the income needed to join co-ops and alliances without external support. Notably, if public funding covered programs' back-office operations, they would have the revenue to participate in cooperatives on an ongoing basis.

State and local policymakers can also help insulate child care providers from antitrust scrutiny when forming cooperatives. In particular, state policymakers can use **Parker Immunity** to authorize child care providers to coordinate on issues such as setting baseline standards or prices for their members (Callaci and Hanley 2025). Parker Immunity is an antitrust doctrine that authorizes states to exempt conduct in a given industry from antitrust laws so long as it is “clearly articulated” and “actively supervised.” These two conditions effectively require that states introduce a law defining a given action as lawful, while maintaining the capacity through an agency or the state attorney general to review and approve of the cooperative enterprises' proposed actions (Callaci and Hanley 2025).

PUBLIC TECHNICAL ASSISTANCE

State and local governments can also directly supply small child care providers with free or low-cost technical assistance resources so that they can compete with corporate providers' operational scale advantage. They can do this by working with the SBA's Small Business Development Centers and Women's Business Centers, the Department of Commerce's Minority Business Development Agency, or even by partnering with local CDFIs (see [Section III.A](#)). Technical support should also target new entrepreneurs who are looking for guidance on best practices for running a child care business; rather than turning to franchisors for a ready-made operating model, these entrepreneurs should have access to public and nonprofit resources that can provide them with similar levels of support and guidance without compromising their independence.

C. ADDITIONAL PUBLIC RESOURCES

As part of their broader efforts to equitably increase child care supply and guarantee this service as a public good, state and local governments can explore numerous potential avenues for more actively participating in child care markets. Beyond their role as funders and regulators, governments can own and operate their own programs, become landlords or investors, decrease information asymmetries, or offer technical

services. In doing so, governments can become a public mirror to corporate interests in child care markets — one that supports providers who are more committed to advancing the broader vision of child care as a public good than to their own profits.

PUBLIC CHILD CARE OPTIONS

State and local governments can also directly increase child care supply by opening new public child care programs. A wide range of models exist for public child care, including state and local pre-kindergarten programs, or programs serving military communities or other government employees (Friedman-Krauss et al. 2025; GAO 2023).

Beyond increasing supply, public child care programs can act as an important check to corporate providers' market power. When families have a choice of a public provider, corporate and other for-profit providers can only attract customers if they provide affordable care of equal or higher quality to the public baseline (Sitaraman and Alstott 2019). This reduces corporate providers' ability to abuse families' dependence on their services by cutting costs or raising tuition rates in order to maximize profits.

Of course, public child care options must themselves be designed to support a robust mixed-delivery system. It is critical that state and local policymakers design public child care options to operate alongside other types of providers, including small for-profit programs. To this end, it is important that policymakers create a level playing field so that small businesses and non-profits can access the financial and technical resources they need to compete with public and corporate providers. Furthermore, states and local governments that invest in a public child care system should also design a strategy to provide opportunities for existing child care workers and program owners to operate alongside or in partnership with public programs (Bilik et al. 2025).

State and local governments can also directly buy programs from local entrepreneurs in order to prevent their sale to corporate investors. States that are creating dedicated funding streams for child care should consider allowing this money to be used for these types of acquisitions, or to support other alternative buyers like CDFIs or local entrepreneurs. Policymakers can also consider creating additional incentives for local owners to sell to the state instead of corporate investors (Haspel 2025).

Once they have acquired a program, state and local governments can choose between operating it themselves, or helping other stakeholders take on this responsibility.

Even if they do not want to operate child care programs directly, state and local governments can act as a bridge between community-minded owners, giving new owners the time and resources they need to compete with corporate investors. Governments can lease programs back to community stakeholders, thus maintaining government ownership and oversight while granting more community control and independence than in a publicly operated program. Governments can also provide community stakeholders with funding or technical assistance so that they can buy programs back from the government outright, thus restoring programs' independence (Haspel 2025).

PUBLIC REAL ESTATE

Local governments and public institutions can help reduce the operating costs of non-corporate providers by allowing them to operate out of publicly owned facilities while paying lower rental costs.

Public institutions like universities or hospitals frequently lease space to local providers who can supply care for their staff and the local community. Public institutions can also help acquire new real estate for child care programs—as CUNY York College did when it refurbished a historically landmarked church in order to create child care and early education facilities (Menchaca 2002). State and local governments can consider ways to encourage public institutions to expand this supply, and to provide guidelines for prioritizing non-corporate providers for these contracts. Policymakers should also consider ways to reform local zoning codes to require private developers or employers to designate space for local child care providers.

PUBLIC REGISTRIES

Corporate providers also have an information advantage over local providers—both in terms of their access to market information, and consumers' familiarity with their brands.

Larger firms and investors are more likely to have access to commercial databases that alert them to local investment opportunities, such as when a local program is looking to sell, or when new real estate comes on the market. This access to paywalled information allows them to make investment or acquisition bids long before local entrepreneurs or governments are aware that a program is preparing to sell their brand or facilities. Meanwhile, many corporate chains have

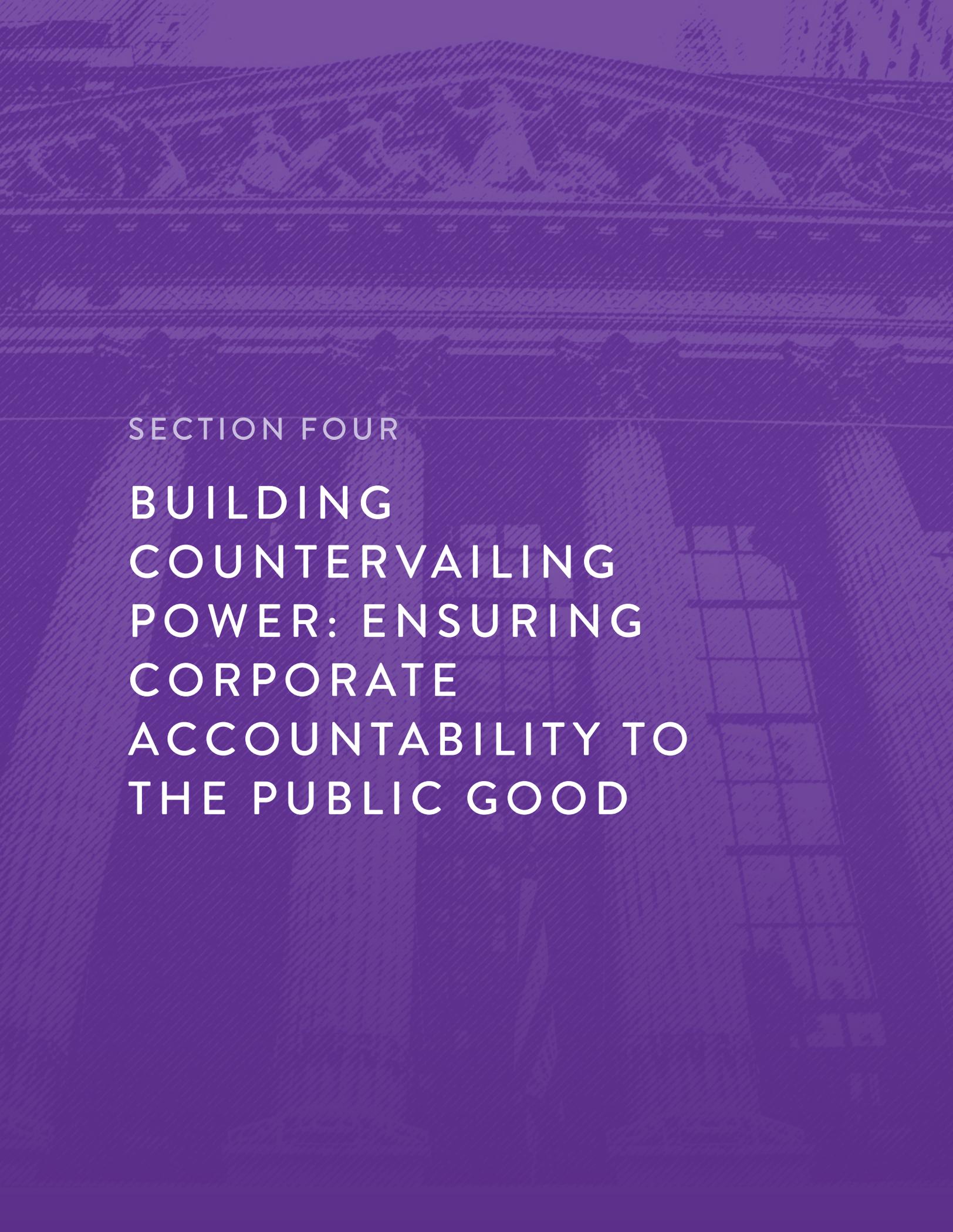
brand names that are more familiar to families, and which may convey a guarantee of uniform care quality. It can therefore be easier for families to find and enroll in corporate child care programs relative to local programs.

State and local governments can help correct this information imbalance by creating public registries that increase the information that all child care stakeholders have about opportunities in child care markets.

First, state and local governments should consider creating online spaces to match potential buyers with program owners looking to exit the market (Haspel 2025). The goal of these online portals should be to level the playing field between corporate and non-corporate stakeholders, increasing the likelihood that programs are sold to people and organizations aligned with the vision goals for child care. Policymakers can go a step further by ensuring that these websites also help non-corporate stakeholders access technical assistance resources for how to navigate acquisition and real estate transactions (Haspel 2025).

Second, non-corporate providers can benefit from easily accessible and navigable public databases or registries that help local families know about their service offerings, and track information such as ownership, size, and openings.

Beyond funding providers, a critical government responsibility in child care markets is that of providing families with timely information about the availability, pricing, and quality of local providers. Federal CCDF regulations require states to provide information on child care providers through a “consumer-friendly and easily accessible” website—but these initiatives are usually underfunded and incomplete (Herbst 2022). It is often easier for families to find real-time information about available programs through corporate program websites than through public databases. States and local governments should invest in existing child care registries, as well as in resource and referral agencies. They must also ensure that the administrators of these registries have the skills and resources to make them search engine optimizable and easy for families to use.



SECTION FOUR

BUILDING
COUNTERVAILING
POWER: ENSURING
CORPORATE
ACCOUNTABILITY TO
THE PUBLIC GOOD

IV. BUILDING COUNTERVAILING POWER: ENSURING CORPORATE ACCOUNTABILITY TO THE PUBLIC GOOD

The interests of the diverse stakeholders in the child care industry—including workers, families, non-corporate providers, and even long-term investors—will only be properly served if the child care industry achieves the five goals that make up the vision of child care as a public good. If properly empowered and mobilized, these stakeholders can help push back against corporate efforts to put short-term profits over other priorities, including child wellbeing and the growth and long-term financial stability of the sector. This stakeholder power will be one of the child care industry's greatest protections against the ownership and managerial structures that corporate providers use to shield themselves from liability or oversight.

These stakeholders are critical to preventing and mitigating the harms of corporate providers' profit-maximizing tactics. In this hyper-local, hyper-fragmented sector, they are the eyes on the ground who will be most likely to spot harmful behavior when it starts—and who can thus improve transparency about local market conditions and alert local policymakers about where enforcement is needed. Working together, they can directly push back against corporate providers, and pressure them to improve their behavior and support community priorities. Their commitment to their communities makes them powerful advocates for the vision of child care as a public good and for the policies and elected officials who can make that vision a reality.

Building this countervailing power among child care stakeholders requires creating more opportunities for them to collaborate around advancing their shared priorities, and to have the means of participating in, and influencing, the creation and enforcement of child care policies and programs. Much of the work of building this countervailing power will fall on the stakeholders themselves, but state and local policymakers should also commit to including, engaging with, and strengthening these organizing efforts. Different stakeholders can develop different types of organizing tactics, including working with (1) advocacy organizations, (2) small business cooperatives, (3) labor unions, and (4) industry committees. Investors, including public pensions, are an additional stakeholder that should be engaged in efforts to

protect child care markets from harmful corporate tactics. Most importantly, the strength of these movements is amplified the more that they work together, support each other, and build a cross-cutting movement to strengthen the vision of child care as a public good.

A. STAKEHOLDER ADVOCACY ORGANIZATIONS

Advocacy organizations are an important means of connecting child care stakeholders with policymakers and regulators, countering the fragmentation that is otherwise inherent in child care markets. Individual parents and guardians, child care workers and small enterprise owners, and other community members will be the first to observe or feel the harms from the profit-maximizing tactics of corporate providers, and advocacy organizations can help give a platform to these stakeholders to voice their concerns. These voices will likely be the first warning that state and local policymakers will get that there is a problem that they need to address.

Different advocacy organizations that focus on different stakeholders or child care topics are part of the solution. National organizing and advocacy groups that also support state and local grassroots organizing include Community Change, MomsRising, United Parent Leaders Action Network (UPLAN), The Child Care for Every Family Network, and Zero to Three. Meanwhile, small child care enterprises can turn towards national trade organizations, like the National Association for the Education of Young Children (NAEYC) or Child Care Aware of America (CCAoA), small business associations like Small Business Majority, family child care associations like the National Association for Family Child Care, or organizations that support and represent home-based care like Home Grown and All Our Kin.

These organizations can act as intermediaries between policymakers and individual stakeholders. They can take on the work of keeping track of policy debates, inviting policymakers to speak directly with their members, collecting testimonials from their members to inform policy discussions,

and equipping their members through training and leadership development with the advocacy skills they need to make direct demands to lawmakers. Their work is critical to countering corporate lobbying power and other political influence tactics, and policymakers should proactively ensure that these stakeholders are included in decision-making processes, while organizations should ensure that stakeholder engagement is facilitated by offsetting expenses like travel, child care, and stipends for their time and expertise.

B. SMALL BUSINESS ORGANIZING

Corporate providers can leverage their financial resources and market power to influence policymaking processes and structure markets to prioritize their profits over other stakeholder goals. As corporate providers become increasingly dominant players in local markets, they can more readily present themselves to policymakers as the archetype of the businesses that new policies should be crafted to support.

Corporate providers also have greater financial resources to elevate their perspectives and preferences in child care policy discussions and to participate in industry associations that engage with policymakers. For example, in the real estate industry, corporate landlords worked through the industry's trade association, often by joining their boards, in order to lobby against policies such as eviction moratoria, just cause eviction ordinances, and rent regulation during and after the COVID pandemic (Bankson et al. 2024). Although corporate providers may join child care advocates in calling for greater public funding for the sector, their policy preferences will diverge from other stakeholder when it comes to pursuing guardrails, quality requirements, worker protections, regulatory enforcement, and other checks on their market power.

Small businesses and other non-corporate providers must find ways to cooperate with each other to act as a counterweight to corporate providers in state and local policy and regulatory discussions. Industry associations that restrict their

Case Study 9: California Parent Voices v. La Petite Academy

In 2025, Parent Voices, a California grassroots organization, helped families with children enrolled in La Petite Academy programs to push back against deteriorating care quality. La Petite Academy is one of the brands owned by Learning Care Group, the second-largest private equity-backed child care chain in the U.S. Families in Antioch had observed many of the tell-tale signs of these programs orienting themselves to prioritize profits over their children's wellbeing, including: high turnover for care workers, fewer workers assigned to each classroom, under-investment in facility maintenance, and the introduction of new fees for attending class outings or use of a given pre-K curriculum. As one parent noted: "We've asked the District Director [...] 'Why don't you hire more teachers?' Her response was, 'We're running a business.' The message was crystal clear to me: Money comes first, our kids don't" (Parent Voices 2025).

Parent Voices helped these families organize a campaign against La Petite Academy after the local program's management was unresponsive to their concerns. The campaign included a press conference and social media campaign that pressured the program office to respond

to parent concerns. Through this campaign, families have made a list of demands to protect the quality of these child care centers, which include that centers will adhere to state staff-to-child ratio requirements, guarantee a maximum 40 hour work week for care workers, clean and sanitize facilities weekly, and end their use of add-on "junk fees."

This campaign provides a useful case study for the ways that, by working with local advocacy organizations, stakeholders like families can help move their communities towards the vision of child care as a public good. Local authorities are unlikely to have identified the ongoing erosion of the job and service quality at the La Petite Academy programs, including the alleged violations of mandatory staff-to-child ratio laws, had parents not spoken out about what they were witnessing. Beyond the pressure that this type of campaign places on individual child care programs to improve their behavior, or on local authorities to enforce industry standards, this type of campaign is also important for providing evidence of the consequences of corporate-owned child care behavior. This, in turn, can help strengthen policymakers' resolve to take action at the local, state, or even federal level.

membership to non-corporate providers can be one method for organizing. Cooperatives, like shared-service alliances (see [Section III.B](#)) can be another powerful organizing tool, with the market power that members gain by collaborating as businesses fueling the trust and empowerment needed for their members to collaborate on defending their interests as policy advocates. The Maine Lobstering Union, for example, shows how small businesses working to increase their market power relative to the larger voices in their industry have organized to raise their business quality and engage powerfully

in local policymaking discussions (see Case Study 10). Nevertheless, the more that child care providers work together in setting baseline standards for the child care industry, the more important it is that policymakers use Parker Immunity doctrine to define the types of coordination that they want shielded from antitrust law (Callaci and Hanley 2025) (see [Section III.B](#)).

Case Study 10: Maine Lobstering Union, Local 207

In 2013, over 200 lobstermen formed the Maine Lobstering Union with the aim of increasing their market power relative to the other players in the lobster industry. The government of Maine protects the small business nature, and local economic ties, of lobster fishermen by granting lobstering licenses exclusively to individuals who are owner-operators of their own fishing vessels (Schreiber 2023). Nevertheless, the dealers and distributors who buy lobstermen’s catch are larger businesses and have traditionally wielded their market power to dictate lobstermen’s sales price. The Lobstering Union formed following a historic drop in lobster prices, which left lobstermen unable to cover their operating expenses. These founders felt that the industry’s existing trade association—the Maine Lobstermen’s Association (MLA), which had opened its doors to dealers, distributors, and others as non-voting members—no longer represented lobstermen’s economic interests, and wanted the new Union to help them gain a larger share of the profits earned across the lobster industry (Moretto 2013; Trotter 2017). Unlike the MLA, the Union would build its membership exclusively from lobstermen and their sternmen.

The Maine Lobstering Union is structured as a union-cooperative hybrid, which grants them a unique ability to influence market prices. The organization is a cooperative of independent lobstermen businesses that have organized themselves as the Local 207 chapter of the International Association of Machinists and Aerospace Workers union. The Union is not the first attempt by lobstermen to work together to increase their pricing power. The MLA initially

tried to help push up the minimum price for the lobster, but in 1958, they were found guilty of illegal price-fixing and anticompetitive behavior under the Sherman Antitrust Act; the trade association had to adhere to a consent decree from the Department of Justice until the order was lifted in 2013. The Union, however, argues that because it is part of a union and represents only lobstermen and sternmen—rather than being a trade association—it is allowed under the 1934 Fishermen’s Collective Marketing Act to negotiate prices with dealers on behalf of its members (Trotter 2017).

In the years since its creation, the Union has helped its members collaborate in diverse ways that have increased their voice and power across the industry. Initially, Union members pooled their resources and hired employees to sell lobsters in bulk on their behalf—with the aim of increasing their negotiating power relative to dealers. In 2015, the Union established Lobster 207, a wholesale and retail business owned and operated by the Union’s members. Lobster 207 buys lobster from both members and non-members at fair prices, and redistributes the profits back to Union members (Trotter 2017; Schreiber 2020). In 2020, Lobster 207 earned a Fair Trade Certification from Fair Trade USA, indicating that they had met the high standards for environmental stewardship, social responsibility, and fair labor practices (Schreiber 2020). Meanwhile, the Union has become a vocal advocate for lobstermen’s interests in broader policy discussions, especially around restricting offshore wind development on traditional fishing grounds (O’Brien 2023; Office of Governor Janet Mills 2023).

C. WORKER ORGANIZING

Child care workers are often the first to see the consequences of corporate providers putting their profits ahead of the vision of child care as a public good. Even though child care workers' wages and working conditions are inherently tied to the quality of care children receive, corporate providers' efforts to push down their operating expenses frequently are harmful to workers — be it from lower wages, lower staffing levels, less predictable scheduling, fewer long-term training opportunities, or increased demands on their attention while they are with children. Child care workers are therefore well placed to identify and alert other stakeholders to harmful corporate practices, while workers' efforts to defend and improve their working conditions directly support the broader vision for child care as a public good.

Unionization and collective bargaining remain important mechanisms for empowering workers to improve their working conditions, and thereby improve the quality of care provided to families. Union activity in states like Massachusetts and Rhode Island, for example, helped expand home-based providers' rights to benefits such as paid leave (McLean et al. 2021). Unions, along with industry committees, are also important for mobilizing workers in policy discussions, ensuring their perspective is included alongside that of corporate lobbyists.

Unfortunately, union membership rates remain low among child care workers, and corporate providers have proven hostile to unionization efforts. For example, in 2024, workers alleged that Guidepost Montessori, a chain owned by Higher Ground Education, closed two schools and furloughed 30 staff members in Portland, Oregon in response to their announcement that they would join the International Longshore and Warehouse Union Local 5 (Gruben 2024).⁹ Meanwhile, both KinderCare and Bright Horizons cite unions as a risk to their profits in their filings with the Securities and Exchange Commission (KinderCare Learning Companies 2021). In 2023, only 5.4 percent of child care workers were union members, and 6.2 percent were covered by a union agreement (Hirsch, Macpherson, and Even 2024).

State and local policymakers can strengthen child care workers' ability to defend their own right to good jobs and fair wages, and to speak out against corporate practices that undermine the child care vision. Many worker protections can be embedded in state child care industry standards, or in state funding contracts (see [Section I](#)). This includes whistleblower protections and guaranteed collective bargaining rights, as well as protections for workers retained through third-party agencies and gig-style apps.

Policymakers should also ensure that workplace protections extend to all child care workers, including home-based family child care providers. Once again, state and local governments have a unique power to protect child care workers given the significant role of public funding in this sector. States should recognize home-based caregivers' right to collectively bargain using the state government, which pays them through its funding of child care, as their unifying employer (Collins and Londono Gomez 2023). Policymakers can also protect child care providers working in other people's homes, like nannies, by passing a Domestic Workers Bill of Rights, rejecting the historic exclusion of domestic workers from labor protections (NDWA 2021; Hardy 2024).

D. INDUSTRY COMMITTEES

Policymakers can ensure that diverse stakeholders remain actively involved in the creation and enforcement of child care policies and standards by creating state or local child care industry committees. Industry committees (also known as workers' boards or wage boards) are official bodies made up of a range of stakeholders—including workers, employers, customers, and other community representatives—who have a formal role in setting workplace and other standards for an industry. These bodies have existed in diverse forms across states in the past century in sectors like nursing homes where they are used to set standards around wages, benefits, and working conditions (see Case Study 11). In the child care sector, a similar body—consisting of representatives from government, care workers and early educators, program

⁹ In February 2025, the National Labor Relations Board dismissed the unfair labor practices case against Guidepost Montessori (*Guidepost Montessori at Tigard* 2025). Four months later, Higher Ground Education filed for bankruptcy, resulting in the closure of an additional 140 programs (Greene 2025).

owners, and families—can work to ensure that public payment rates remain in line with the true cost of care, and that quality standards remain effective guards against exploitative tactics. For example, Alameda County, California passed a measure to increase funding for child care and early education, it also established a Community Advisory Council consisting of representatives of workers, families, program administrators, and the local government, to provide recommendations and oversight over the use of these funds (First 5 Alameda County 2025).

Industry committees effectively allow for workers and other stakeholders to engage in sectoral bargaining with employers, even in the absence of widespread union involvement. These bodies allow stakeholders to advocate for standards that apply across the industry, rather than having to demand changes from individual employers. This makes industry committees a powerful tool for restricting corporate power, especially for workers not protected by the National Labor Relations Act (NLRA) like domestic child care workers (CLJE:Lab 2024).

To be successful, these committees should have a mandate to act as more than mere advisory councils. Instead, policymakers should design these bodies to be empowered to shape regulation and hold providers and other public entities accountable for holding up their responsibilities to the public good (CLJE:Lab 2024). Furthermore, these committees provide adequate compensation to their members so that individual providers, workers, and family representatives have the resources to engage with these bodies.

Case Study 11: Minnesota Nursing Home Workforce Standards Board

In 2023, Minnesota established a Nursing Home Workforce Standards Board (NHWSB) to address the systemic challenges facing the state’s nursing home industry (Nesterak 2023). These challenges came to the fore during the COVID-19 pandemic, when Minnesota experienced among the highest nursing home fatality rates in the country. Much like child care, the nursing home industry is largely dependent on government funding for its revenues. The high rate of pandemic fatalities in publicly funded facilities exposed the consequences of the state not preventing nursing homes from using the public funding allocated for workers to pay starting bonuses rather than higher wages—a strategy that incentivized high turnover among workers, undermined care quality, and left policymakers unable to guarantee care quality during a public health emergency (Covert 2023). The state therefore established the Board using a classic tripartite structure—consisting of representatives of nursing home employers, workers, and relevant government agencies—and tasked it with setting new industry standards for worker pay and workplace conditions.

Since its creation, the Board has successfully worked to raise working conditions and industry standards in Minnesota’s nursing homes. The Board voted in 2024 to raise minimum wages for nursing home workers, setting the new floor at the current median rate in order to raise wages for half of all workers by 2026 (Olson 2024).

Much of this success is the product of how the Board was designed. First, the Board was able to hire paid staff, including an executive director and support staff, ensuring that its staff did not have to split their time with other agencies or priorities (Madland and Shiva 2024). Second, Board recommendations that are not about safety standards are adopted through an expedited rulemaking process rather than having to pass through the state legislature (Madland and Shiva 2024). Finally, the Board created a number of worker-led enforcement mechanisms, increasing employers’ compliance with the new standards without demanding oversight from government officials (Madland and Shiva 2024).

E. ASSET MANAGERS & INVESTORS

Although investors, like public pension funds, are beneficiaries of corporate providers' profit-maximizing tactics, they also have their own motivations to minimize risk and broader societal harm. Discussions around the scope of public pension fund managers' fiduciary duties towards workers and retirees are ongoing, but it is clear that these funds remain legally bound to ensure their pensions remain adequately funded, within the guidelines set out by policymakers, so that they can continue to pay retirees over the long term. Child care stakeholders may be able to recruit investors and asset managers as guardrails against harmful profit-maximizing behavior if they frame their arguments around protecting these investors' financial returns, and stress the financial and public relations risks of driving a critical sector like childcare into risk of bankruptcy and disruption.

Public and union asset managers might want to consider reducing their investments in private equity funds in light of growing concerns about their low financial returns to investors. In particular, large investors have noted that private equity funds have not delivered the low risks and high returns that they have promised to investors, especially due to their high fees and illiquidity (Flood 2020; Phalippou 2020; Sommer 2023; Wiggins 2022). Advocates can therefore work to pressure states and unions to reduce their investments in private funds on financial grounds—a move that would limit the resources that unaccountable private funds can leverage to acquire businesses in child care and other sectors. In Oregon, for example, environmental justice groups waged a campaign highlighting that Oregon's public employee retirement fund had invested more in private equity than the state's Investment Council recommended—contributing to an Oregon Treasury decision to shrink the state pension fund's private equity investments (Baumhardt 2025).

Asset managers can also work to exert greater influence over private equity's investment and management practices, especially when they lead to social outcomes in sectors like child care that harm local communities and stakeholders. Since investors in private equity funds often cannot easily withdraw from these funds, even if they learn about the fund's managers promoting tactics that risk harming other stakeholders, their greatest leverage comes from being able to withhold their money from funds that display the greatest risk of harmful behavior. In particular, asset managers could gain more leverage over fund managers if they threatened to

withhold investments from any future fund controlled by a given private equity firm should existing fund managers misuse their money or harm other stakeholders. For example, after a Blackstone-owned sanitation company was revealed to be allowing “oppressive child labor” in its facilities, Mexico's state treasurer informed Blackrock that they would oppose any future public fund investments in Blackrock funds until the firm demonstrated their commitment to reforming the labor practices in their portfolio companies (Montoya 2023).

This tactic is most effective if asset managers are able to provide clear guidelines about the standards to which they are holding private funds, and the harmful behaviors that they feel would warrant them following through with a boycott threat. For example, the New York City Employees' Retirement System (NYCERS) adopted a set of Responsible Property Management Standards (RPMS) with which to assess prospective investments in private real estate funds. Even though no uniform regulation existed in the city or state for property management practices, the city's public pension created new standards for its own investments to ensure that they encourage property management practices that improve residents' living standards (Office of NYC Comptroller Brad Lander 2024).

Asset managers should also advocate for increased transparency around private markets. Corporate disclosures are an important precursor for allowing asset managers to make investment decisions that align with both their financial and social impact priorities. The SEC attempted to increase private funds' disclosure requirements in 2023, but this rule was subsequently struck down by a federal appellate court, leaving investors with the responsibility for demanding greater transparency from fund managers (Goldstein 2024). Indeed, leading asset managers have been vocal about the importance of disclosures in helping them protect their stakeholders' interests (Weingarten and McGarvey 2024). The American Federation of Teachers (AFT), for example, developed guidance for how their asset managers should conduct due diligence on private equity firms' labor practices (AFT 2024). The AFT is also one of several asset managers that has developed labor standards defining the behavior which they expect private equity general partners to uphold (AFT 2024). State and local policymakers can strengthen asset managers' ability to hold private funds accountable by increasing transparency about child care markets, especially around companies' debt ratios, executive and management compensation packages, staff turnover and wage rates, and

tuition and fee levels (see [Section II.A](#)). This transparency would also help child care advocates identify which investors have a stake in the funds that own local child care providers, thus allowing them to alert these asset managers about harms tied to their investment decisions, and to pressure them to act.

Meanwhile, asset managers who invest as shareholders in publicly listed companies instead of in private funds have more avenues for ensuring these companies align with their long-term priorities. First, they have the power to vote on companies' board members, and can introduce and vote on proxy resolutions to request or require that management pursue a specific course of action. Large investors like pension funds naturally have a greater vote share and hence greater influence over publicly traded companies than individual investors—although their power will generally be more diluted in public markets relative to private markets, where they are likely one of only a handful of investors in a fund or company. Asset managers are thus free to divest from a company at any time if they disagree with their practices, but the threat of any one investor's departure will be less likely to sway managers in publicly listed companies than it might a private equity general partner. Nevertheless, increased transparency about these companies would once again empower child care advocates to hold asset managers accountable for the impacts of their investments.

Policymakers and regulators can help align investors' incentives with the vision of child care as a public good by setting strong rules and standards for businesses operating in child care markets, and strictly enforcing these rules (see [Section I.D](#)). If providers who violate regulatory standards face credible threats of being fined or losing their license, thus disrupting their revenues, then their investors will have an incentive to keep a close eye on these companies' behavior in order to protect their own financial returns.

CONCLUSION: PUTTING CHILDREN BEFORE PROFITS

Child care is an essential building block of families' financial security, children's education and development, communities' wellbeing, and the country's economic foundations. Ideally, the U.S. child care industry and policy system should be designed to achieve (1) universal access to care; (2) universally affordable care; (3) thriving caregivers; (4) high-quality care; and (5) diverse choice of providers for families.

Since achieving this vision will require state and local governments to devote more funding and institutional support to child care providers, policymakers must consider ways of protecting this industry from corporate actors, like private equity funds, who will seek to extract wealth from this funding without contributing to the public's broader goals. Policymakers and other stakeholders have a responsibility to design a child care system that designs market structures, incentives, and guardrails that align with the vision for child care as a public good.

First, regulators must set guardrails that raise the standard rules of the game. The minimum standards for industry-wide business behavior must rise so that corporate providers who wish to participate in child care markets are required to operate in ways that align with the child care vision. State and local policymakers should introduce quality and labor standards to prevent corporate providers from cutting their operating costs at the expense of workers and families; develop funding conditions that define the expectations they have of providers, and proactively increase funding for non-corporate providers; provide providers with the revenues and technical support they need to meet these standards; and strengthen enforcement systems to penalize corporate providers that do not abide by these regulations.

Second, policymakers must protect fair and competitive markets to prevent corporate providers from abusing their market power. State governments are responsible for protecting local markets from business behaviors whose impacts may be too small or localized to attract federal intervention, but that harm local communities. State and local governments should strengthen their capability to monitor the health of child care markets, such as by increasing transparency; restricting corporate consolidation using state antitrust laws; and enforcing state and local competition rules.

Third, policymakers must equitably increase the supply of child care to ensure communities have alternatives to private equity-owned programs. Corporate providers may be growing quickly, but their growth comes at the expense of the vision of child care as a public good. State and local policymakers can help non-corporate providers compete by providing them with higher revenues and increased access to capital; by helping providers access low-cost technical support and operations services; and supplying additional public resources.

Finally, child care stakeholders must work together to build countervailing power that can ensure that corporate providers remain accountable to the public good. Properly empowered, families, workers, non-corporate program owners, and other community members can help push back against corporate efforts to prioritize their profits over the wellbeing of children. Sources of countervailing power can include stakeholder advocacy organizations that connect stakeholders with policymakers; small business cooperatives and industry associations; unions and other forms of worker organizing that empower workers to improve their working conditions and the care programs provide families; industry committees that allow stakeholders to engage in the creation of child care policies and standards; and asset manager initiatives to increase their oversight of the private funds and companies that they invest in.

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